# PARKING AUTHORITY OF THE CITY OF UNION CITY

AUDITS OF FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2010 AND 2009
WITH
SUPPLEMENTARY INFORMATION
AND
REPORT OF INDEPENDENT AUDITORS

GARBARINI & CO., P.C.
Certified Public Accountants

PARKING AUTHORITY OF THE CITY OF UNION CITY

TABLE OF CONTENTS

NOVEMBER 30, 2010 AND 2009


| | PAGE |
|---|---|
| **INTRODUCTORY SECTION** | |
| Letter of Transmittal | 1-4 |
| Roster of Officials | 5 |
| **FINANCIAL SECTION** | |
| Independent Auditor's Report | 6-7 |
| 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 | 8-9 |
| Management's Discussion and Analysis | 10-14 |
| Basic Financial Statements | |
| Statements of Net Assets | 15 |
| Statements of Revenues, Expenses and Changes in Net Assets | 16 |
| Statements of Cash Flows | 17 |
| Notes to Basic Financial Statements | 18-30 |
| **SUPPLEMENTARY INFORMATION** | |
| Schedule of Cash Receipts, Cash Disbursements, and Changes in Cash and Cash Equivalents | 31 |
| Schedule of Revenues and Expenses Compared to Budget | 32 |
| Schedule of Cost of Real Property | 33 |
| Schedule of Operating Revenues by Location | 34 |
| Schedule of Revenue, Expenses and Changes in Net Assets - Restricted and Unrestricted | 35 |
| General Comments | 36 |
| Comments and Recommendations | 37-39 |
| **STATISTICAL SECTION** | |
| Operating Revenues by Function | 40 |
| Expenses by Function | 41 |
| Miscellaneous Statistics | 42 |

# INTRODUCTORY SECTION

Union City Parking Authority
506-518 38th Street
Union City, NJ 07087
201-348-5836

# UNION CITY PARKING AUTHORITY

April 18, 2012

The Honorable Commissioners
The Parking Authority of the City of Union City
Union City, New Jersey

State law requires that all local authorities publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the Parking Authority of the City of Union City (the "Authority") for the year ended November 30, 2010.

This report consists of management's representations concerning the finances of the Authority. We believe it is accurate in all material respects, that it is presented in a manner designed to set forth fairly the financial position and results of operations of the Authority as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain maximum understanding of the Authority's financial affairs have been included. Responsibility for completeness and clarity of the report, including disclosures, rests with the management of the Authority and ultimately with the Board of Commissioners. By utilizing the CAFR format, it is the Authority's intent to facilitate an understanding by the non-financially oriented system user as well as provide all necessary information for the most sophisticated financial observer.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the report of the independent auditors.

## Organization of Report

The CAFR is presented in several sections: Introductory, Financial, Supplementary and Statistical. The Introductory Section includes this transmittal letter and a list of principal officials. The Financial Section includes the independent auditor's report, management's discussion and analysis, and the financial statements, including the notes to the financial statements. The Supplementary Section includes supplementary schedules and information required by the Division of Local Government Services. The Statistical Section includes selected financial, economic and demographic information, generally presented on a multi-year basis.

## Government Structure and Services

The Authority's governing body consists of five members appointed by the Mayor of the City of Union City, with the advice and consent of the Board of Commissioners. Members are appointed for terms of five years.

The Authority provides parking in the form of a parking deck, parking lots and meters, as well as enforcement of parking regulations in Union City. The Authority receives $3 per ticket issued and collected by the Union City Municipal Courts. Additionally, the Authority retains all monies collected out of the city parking meters as well as various other less significant sources of revenue. None of the employees of the Authority are members of a union.

## Internal Accounting Controls

Management of the Authority is responsible for establishing and maintaining an adequate internal control structure. In developing and evaluating the Authority's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits expected to be derived. All internal control evaluations occur within the above framework. We believe the Authority's internal accounting controls adequately safeguard assets and provide reasonable assurance for the proper recording of financial transactions.

## Basis of Accounting

The Authority's accounting records are maintained on an accrual basis and in accordance with GAAP, as promulgated by the Governmental Accounting Standards Board. The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

## Annual Budget

The annual budget serves as the foundation for the Authority's financial planning and control. Management prepares a proposed budget, which is presented to the Authority's Board of Commissioners

for review and approval. Prior to adoption by the Board of Commissioners, these budgets are reviewed and approved by the State of New Jersey, Division of Local Government Services.

## Debt Administration

At November 30, 2010, the Authority has outstanding debt of $2,314,874, which consists of a private placement bond, for the parking deck located between Kennedy Boulevard and Bergenline Avenue occupying the block between 38th and 39th Street in the amount of $2,312,200. The remaining balance is related to an old note payable to an ex-commissioner.

## Cash Management

The Authority strives to keep abreast of current developments and procedures in cash management to insure efficient and profitable use of available cash resources. The investment policy of the Authority is guided in large part by New Jersey Statutes. Cash is deposited in institutions located in New Jersey which are protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. Funds not needed immediately are invested as certificates of deposit or other allowable investments.

## Risk Management

The Authority carries various forms of insurance, including, but not limited to, general liability, automotive, hazard and theft.

## Pension Benefits

All Authority employees participate in the New Jersey Public Employees Retirement System (PERS). The PERS is a cost-sharing, multiple-employer defined benefit pension plan and is administered by the State of New Jersey Division of Pensions. Participants are required to contribute a statutory amount to the PERS. The Authority contributes to the PERS at an actuarially determined rate.

## Annual Independent Audit

The Authority's financial statements have been audited by Garbarini & Co., P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the year ended November 30, 2010 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements for the year ended November 30, 2010, are fairly presented in conformity with GAAP. The independent auditors' report is included in the financial section of this report.

Acknowledgments

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff and the Commissioners of the Authority. We would like to express our appreciation to all those who assisted and contributed to the preparation of this report.

Respectfully submitted,

Alicia Morejon
Executive Director

PARKING AUTHORITY OF THE CITY OF UNION CITY
ROSTER OF OFFICIALS
FOR THE YEAR ENDED NOVEMBER 30, 2010

***Authority Members***

Marta Araujo, Commissioner

Lydia Figueredo, Commissioner

Gilardo Hernandez, Commissioner

Tanya White, Commissioner

Ulysses Isa, Commissioner

# FINANCIAL SECTION

GARBARINI & CO. P.C.
Certified Public Accountants

Division Avenue and Route 17 S.
P.O. Box 362 - Carlstadt, N.J. 07072
(201) 933-5566

# INDEPENDENT AUDITOR'S REPORT

The Honorable Commissioners of the
Parking Authority of the City of Union City
Union City, New Jersey

We have audited the accompanying financial statements of the Parking Authority of the City of Union City (the "Authority"), as of and for the years ended November 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Parking Authority of the City of Union City as of November 30, 2010 and 2009, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2012 on our consideration of the 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Management's discussion and analysis, as presented on pages 10 through 14, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

Paul W. Garbarini, CPA
Registered Municipal Accountant
No. 534

Garbarini & Co. P.C. CPA's
Registered Municipal Accountants

April 18, 2012
Carlstadt, New Jersey

GARBARINI & CO. P.C.
Certified Public Accountants

Division Avenue and Route 17 S.
P.O. Box 362 - Carlstadt, N.J. 0707
(201) 933-5566

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

The Honorable Commissioners of the
Parking Authority of the City of Union City
Union City, New Jersey

We have audited the financial statements of the Parking Authority of the City of Union City, (the "Authority"), as of and for the year ended November 30, 2010, and have issued our report thereon dated April 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

## Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of comments and recommendations as items 09-01 and 09-02.

The Authority's response to the findings identified in our audit is described in the accompanying schedule of comments and recommendations. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Authority's governing body and the New Jersey Department of Community Affairs, Division of Local Government Services, and is not intended to be and should not be used by anyone other than these specified parties.

Paul W. Garbarini, CPA
Registered Municipal Accountant
No. 534

Garbarini & Co. P.C. CPA's
Registered Municipal Accountants

April 18, 2012
Carlstadt, New Jersey

# PARKING AUTHORITY OF THE CITY OF UNION CITY
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# NOVEMBER 30, 2010 AND 2009

This section of the Parking Authority of the City of Union City's (the "Authority") annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal years ended November 30, 2010 and 2009. Please read it in conjunction with the Authority's financial statements and accompanying notes as well as the transmittal letter at the front of this report.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities and operations of the Authority. These statements are presented in a manner similar to a private business.

The financial statements immediately follow this discussion and analysis by management and are designed to highlight the Authority's net assets and changes to those assets resulting from Authority operations.

## THE BASIC FINANCIAL STATEMENTS

The Statement of Net Assets provides information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's creditors (liabilities), with the difference between the two reported as net assets.

The Statement of Revenues, Expenses and Changes in Net Assets shows how the Authority's net assets changed during each year and accounts for all of the current year's revenues and expenses, measures the success of the Authority's operations over the past year and can be used to determine how the Authority has funded its costs.

The Statement of Cash Flows provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, non-capital financing (if applicable), capital related financing and investing activities.

## NOTES TO BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to understanding the basic financial statements, such as the Authority's accounting methods and policies; details of cash and investments; employee benefits; long-term debt and lease transactions of the Authority; and any other events or developing situations that could materially affect the Authority's financial position.

## FINANCIAL HIGHLIGHTS

The following data highlights the changes in the Authority's finances for the years ended November 30, 2010, 2009 and 2008.

| Increase/(Decrease) | 2010 | 2009 | 2008 |
|---|---|---|---|
| Total net assets | $ (513,929) | $ (196,909) | $ (199,678) |
| Cash and cash equivalents | $ (563,830) | $ (415,031) | $ (182,247) |
| Investments | $ 3,210 | $ 300,702 | $ - |
| Net capital assets | $ (227,942) | $ (201,816) | $ (245,123) |
| Total liabilities | $ (236,374) | $ (143,574) | $ (210,057) |
| Operating revenues | $ (76,715) | $ (37,741) | $ (65,706) |
| Operating expenses | $ 247,795 | $ (64,921) | $ 3,561 |
| Operating income | $ (324,510) | $ 27,180 | $ (69,267) |

*Fiscal Year 2010 compared to 2009.* Net assets decreased by $513,929 or 7.9%. This was partially due to the increase in operating income from the prior year being offset by a corresponding decrease in interest income. Salaries and related expense increases as well as the 3.5 percent decline in total revenues also contributed to the decrease in net assets. Cash, cash equivalents and investment levels decreased by $560,620 or 51% which was less than the prior year mainly due to increased costs.

*Fiscal Year 2008 compared to 2007.* Net assets decreased by $199,678 or 6.9%. This was due to the increase in operating loss of $69,267 or 228.6% from the prior year. Salaries and related expense increases as well as the 3.5 percent decline in total revenues caused the decrease in net assets. Cash levels decreased by $182,247 or 13.1% mainly due to the continued decline in operating results. Ticket surcharge income decreased by $39,699 or 10.2%.

## FINANCIAL ANALYSIS OF THE AUTHORITY

The following table summarizes the assets, liabilities and net assets as of November 30, 2010, 2009 and 2008:

| | 2010 | 2009 | 2008 | 10 to 09 % Inc. / (Dec.) | 08 to 09 % Inc. / (Dec.) |
|---|---|---|---|---|---|
| Current assets | $ 699,332 | $ 1,215,093 | $ 1,344,827 | -42.4% | -9.6% |
| Capital assets | 3,701,392 | 3,929,334 | 4,131,150 | -5.8% | -4.9% |
| Other noncurrent assets | 100,600 | 107,200 | 116,133 | -6.2% | -7.7% |
| Total assets | 4,501,324 | 5,251,627 | 5,592,110 | -14.3% | -6.1% |
| Current liabilities | 349,225 | 420,699 | 406,873 | -17.0% | 3.4% |
| Noncurrent liabilities | 2,149,974 | 2,314,874 | 2,472,274 | -7.1% | -6.4% |
| Total liabilities | 2,499,199 | 2,735,573 | 2,879,147 | -8.6% | -5.0% |
| Net assets: | | | | | |
| Invested in capital assets, net of related debt | 1,389,192 | 1,610,034 | 1,511,250 | -13.7% | 6.5% |
| Unrestricted | 612,933 | 906,020 | 1,201,713 | -32.3% | -24.6% |
| Total net assets | $ 2,002,125 | $ 2,516,054 | $ 2,712,963 | -20.4% | -7.3% |

*Fiscal Year 2010 compared to 2009.* The Authority's financial condition has deteriorated slightly, but its current ratio (current assets/current liabilities) of almost three is still considered very good (any current ratio above two is considered good). This is an important measure of the Authority's fiscal health and the slight decrease is a result of its continued operating loss.

*Fiscal Year 2009 compared to 2008.* The Authority's financial condition has deteriorated slightly, but its current ratio (current assets/current liabilities) of just over three is considered very good (any current ratio above two is considered good). This is an important measure of the Authority's fiscal health and the slight decrease is a result of its widening operating loss.

## Operating Activities

The following table summarizes the revenues, expenses and changes in net assets for the years ended November 30, 2010, 2009 and 2008

| | 2010 | 2009 | 2008 | 10 to 09 % Inc. / (Dec.) | 08 to 09 % Inc. / (Dec.) |
|---|---|---|---|---|---|
| Parking revenues | $ 2,041,944 | $ 2,128,193 | $ 2,174,752 | -4.1% | -2.1% |
| Rental and miscellaneous revenues | 53,174 | 43,640 | 34,822 | 21.8% | 25.3% |
| Total operating revenues | 2,095,118 | 2,171,833 | 2,209,574 | -3.5% | -1.7% |
| Non-operating revenues | 4,381 | 6,528 | 37,810 | -32.9% | -82.7% |
| Total revenues | 2,099,499 | 2,178,361 | 2,247,384 | -3.6% | -3.1% |
| Operating expenses | (2,492,014) | (2,244,219) | (2,309,140) | 11.0% | -2.8% |
| Non-operating expenses | (121,414) | (131,051) | (137,922) | -7.4% | -5.0% |
| Total expenses | (2,613,428) | (2,375,270) | (2,447,062) | 10.0% | -2.9% |
| (Decrease) increase in net assets | (513,929) | (196,909) | (199,678) | 161.0% | -1.4% |
| Net assets beginning of year | 2,516,054 | 2,712,963 | 2,912,641 | -7.3% | -6.9% |
| Net assets end of year | $ 2,002,125 | $ 2,516,054 | $ 2,712,963 | -20.4% | -7.3% |

*Fiscal Year 2010 compared to 2009.* The Authority's total revenues decreased by $76,715, or 3.5%, due to lower interest rates and less parking ticket reimbursements. The Authority's operating expenses increased by $247,795, or 11%, due to higher salary and wages, related fringe benefit expenses and insurance costs. Net assets decreased by $513,929.

*Fiscal Year 2009 compared to 2008.* The Authority's total revenues decreased by $69,023, or 3.1%, due to lower interest rates and less parking ticket reimbursements. The Authority's operating decreased from the prior year due tp slightly lower salaries. Net assets decreased by $199,909.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets** - The Authority, in fulfilling its mission to provide parking to the commercial and residential communities of Union City, has invested its resources in parking lots and improvements, parking meters and other necessary equipment.

The following table summarizes the changes in capital assets between December 1, 2008 and November 30, 2010:

| | December 1, 2008 | Additions | Deletions | November 30, 2009 | Additions | Deletions | November 30, 2010 |
|---|---|---|---|---|---|---|---|
| Land | $ 1,723,338 | $ - | $ - | $ 1,723,338 | $ - | $ - | $ 1,723,338 |
| Parking deck | 4,080,678 | - | - | 4,080,678 | 17,125 | - | 4,097,803 |
| Improvements | 677,533 | | - | 677,533 | 10,900 | - | 688,433 |
| Equipment | 1,011,368 | | - | 1,011,368 | - | - | 1,011,368 |
| Totals at historical cost | 7,492,917 | - | - | 7,492,917 | 28,025 | - | 7,520,942 |
| Less: accumulated depreciation | (3,361,767) | (201,816) | - | (3,563,583) | (255,967) | - | (3,819,550) |
| Net capital assets | $ 4,131,150 | $ (201,816) | $ - | $ 3,929,334 | $ (227,942) | $ - | $ 3,701,392 |

**Debt Administration** – At year end, the Authority had $2,674 of Note principal outstanding and a $2,312,200 bond relating to the 38th Street Parking Deck. More detailed information about the Authority's debt is presented in Notes 5 and 8 to the financial statements.

The following table summarizes the capital debt as of November 30, 2010, 2009 and 2008:

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Notes payable | $ 2,674 | $ 2,674 | $ 2,674 |
| 2006 Bond | 2,312,200 | 2,469,600 | 2,619,900 |
| Totals | 2,314,874 | 2,472,274 | 2,622,574 |
| Due within one year | 164,900 | 157,400 | 150,300 |
| Long term portion | 2,149,974 | 2,314,874 | 2,472,274 |
| Totals | $ 2,314,874 | $ 2,472,274 | $ 2,622,574 |

## CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Union City citizens and taxpayers, and our customers, clients, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the appropriations and grants that it receives. If you have questions about this report or need additional financial information, contact the Parking Authority of the City of Union City, 506-518 38th Street, Union City, NJ 07087 or at (201) 348-5836.

PARKING AUTHORITY OF THE CITY OF UNION CITY
STATEMENTS OF NET ASSETS
NOVEMBER 30, 2010 AND 2009

| ASSETS | 2010 | 2009 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 231,586 | $ 795,416 |
| Investments | 303,912 | 300,702 |
| Accrued interest receivable | - | 1,399 |
| Accounts receivable | 72,436 | 53,054 |
| Prepaid expenses | 91,398 | 64,522 |
| Total current assets | 699,332 | 1,215,093 |
| Noncurrent assets: | | |
| Unamortized debt issuance costs | 100,600 | 107,200 |
| Capital assets: | | |
| Land | 1,723,338 | 1,723,338 |
| Improvements and equipment, net | 1,978,054 | 2,205,996 |
| Net capital assets | 3,701,392 | 3,929,334 |
| Total noncurrent assets | 3,801,992 | 4,036,534 |
| Total Assets | $ 4,501,324 | $ 5,251,627 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable | $ 20,293 | $ 61,275 |
| Accrued compensated absences | 127,422 | 127,422 |
| Accrued interest | 36,610 | 39,102 |
| Other accrued liabilities | - | 17,500 |
| Deferred revenue | - | 18,000 |
| Bond payable due within one year | 164,900 | 157,400 |
| Total current liabilities | 349,225 | 420,699 |
| Noncurrent liabilities: | | |
| Bond payable | 2,147,300 | 2,312,200 |
| Notes payable | 2,674 | 2,674 |
| Total noncurrent liabilities | 2,149,974 | 2,314,874 |
| Total Liabilities | 2,499,199 | 2,735,573 |
| Net Assets: | | |
| Invested in capital assets, net of related debt | 1,389,192 | 1,610,034 |
| Unrestricted | 612,933 | 906,020 |
| Total Net Assets | 2,002,125 | 2,516,054 |
| Total Liabilities and Net Assets | $ 4,501,324 | $ 5,251,627 |

See accompanying notes to the basic financial statements.

PARKING AUTHORITY OF THE CITY OF UNION CITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
YEARS ENDED NOVEMBER 30, 2010 AND 2009

| | 2010 | 2009 |
|---|---|---|
| Operating revenues: | | |
| Parking meters | $ 1,330,727 | $1,379,045 |
| Parking permits | 422,714 | 434,034 |
| Surcharge | 288,503 | 315,114 |
| Rental income | 24,300 | 24,300 |
| Miscellaneous income | 28,874 | 19,340 |
| Total operating revenues | 2,095,118 | 2,171,833 |
| Operating expenses: | | |
| Salaries and wages | 1,126,443 | 1,042,218 |
| Payroll taxes | 106,436 | 86,865 |
| Employee benefits | 468,054 | 434,768 |
| Office expense | 30,829 | 47,065 |
| Uniform expense | 5,688 | 5,193 |
| Meter repairs and maintenance | 12,701 | 15,026 |
| General repairs and maintenance | 34,345 | 38,445 |
| Vehicle maintenance | 5,044 | 4,615 |
| Parking lot maintenance | 7,778 | 3,589 |
| Utilities | 57,135 | 36,860 |
| Snow removal | 14,557 | 5,784 |
| Insurance | 261,032 | 187,383 |
| Legal fees | 28,149 | - |
| Accounting fees | 47,989 | 35,861 |
| Other professional fees | 53,775 | 82,291 |
| Advertising | 4,116 | 16,440 |
| Depreciation expense | 227,943 | 201,816 |
| Total operating expenses | 2,492,014 | 2,244,219 |
| Operating (loss)/income | (396,896) | (72,386) |
| Non-operating revenue/(expense): | | |
| Interest income from investments | 4,381 | 6,528 |
| Amortization of deferred charges | (6,600) | (8,985) |
| Interest expense | (114,814) | (122,066) |
| Total non-operating revenue/(expense) | (117,033) | (124,523) |
| Change in net assets | (513,929) | (196,909) |
| Net assets, beginning of year | 2,516,054 | 2,712,963 |
| Net assets, end of year | $ 2,002,125 | $2,516,054 |

See accompanying notes to the basic financial statements.

PARKING AUTHORITY OF THE CITY OF UNION CITY
STATEMENTS OF CASH FLOWS
YEARS ENDED NOVEMBER 30, 2010 AND 2009

| | 2010 | 2009 |
|---|---|---|
| Cash Flows From Operating Activities: | | |
| Customer parking fee receipts | $ 1,753,441 | $ 1,813,079 |
| Ticket surcharge receipts | 269,121 | 347,234 |
| Other receipts | 47,150 | 43,640 |
| Payments to employees | (1,126,443) | (1,042,218) |
| Payments to vendors | (1,151,712) | (924,104) |
| Other payments | (65,750) | (82,291) |
| Net cash provided by operating activities | (274,193) | 155,340 |
| Cash Flows From Capital and Related Financing Activities: | | |
| (Purchases) of capital assets | (16,050) | - |
| Principal paid on bond payable | (157,400) | (150,300) |
| Interest paid on capital debt | (117,306) | (124,446) |
| Net cash (used) by capital and related financing activities | (290,756) | (274,746) |
| Cash Flows From Investing activities: | | |
| Purchases of investments | (3,210) | (300,702) |
| Interest received from investments | 4,329 | 5,077 |
| Net cash provided/(used) by investing activities | 1,119 | (295,625) |
| Increase/(decrease) in cash and cash equivalents | (563,830) | (415,031) |
| Cash and cash equivalents at beginning of year | 795,416 | 1,210,447 |
| Cash and cash equivalents at end of year | $ 231,586 | $ 795,416 |
| **Reconciliation of Operating (Loss) Income to Net Cash Provided by Operating Activities** | | |
| Operating (loss)/income | $ (396,896) | $ (72,386) |
| Adjustments to reconcile operating/(loss) income to net cash provided by operating activities: | | |
| Depreciation expense | 227,943 | 201,816 |
| (Increase) decrease in accounts receivable | (19,382) | (32,120) |
| (Increase) decrease in prepaid expenses | (26,876) | (15,316) |
| (Decrease) increase in accounts payable | (40,982) | 9,106 |
| Increase (decrease) in deferred revenue | (18,000) | - |
| Net Cash Provided by Operating Activities | $ (274,193) | $ 91,100 |

See accompanying notes to the basic financial statements.

PARKING AUTHORITY OF THE CITY OF UNION CITY
NOTES TO BASIC FINANCIAL STATEMENTS

NOVEMBER 30, 2010 AND 2009

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

The Parking Authority of the City of Union City, (the "Authority"), was created by virtue of an ordinance adopted by the Board of Commissioners of the City of Union City, (the "City"). The Authority is a public body, corporate and politic, organized under the laws of the State of New Jersey.

The Authority is engaged principally in the operation and maintenance of parking meters and lots within the City. Revenue is generated principally from coin collections, sales of parking permits and surcharge revenues.

The Authority's governing body consists of five members appointed by the Mayor of the City, with the advice and consent of the Board of Commissioners. As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

The Authority is a component unit of the City under Governmental Accounting Standards Boards (GASB) Statement No. 14, as amended by GASB 39.

### B. Principles of Presentation

The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to enterprise funds of state and local governments. The financial statements of the Authority have been prepared using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the statement of revenues, expenses and changes in net assets presents increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

On August 26, 1983, the State of New Jersey enacted P.L. 1983, Chapter 313, providing for a State review of the financial operations of local authorities. The responsibility for this review was given to the Local Finance Board and the Division of Local Government Services of the Department of Community Affairs, ("DCA"). In July 1984, the GASB became the promulgator of standards of financial accounting and reporting with respect to activities and transactions of state and local governmental entities. GASB Statement No. 20 recognizes that the accounting and financial reporting activities of Authorities are considered to be proprietary activities. In accordance with Statement No. 20, the Authority has applied all GASB

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Principles of Presentation (Continued)

pronouncements, as well as the Financial Accounting Standards Board, ("FASB"), pronouncements that were issued prior to November 30, 1989. The Authority has elected not to apply FASB pronouncements issued after that date unless they have specifically been made applicable by the GASB.

The Government Accounting Standards Board issued GASB Statement No.56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards. This Statement will incorporate into the GASB literature certain guidance found in the AICPA Statements on Auditing Standards. The Statement addresses three issues not included in the authoritative literature that establishes accounting standards: related party transactions, going concern considerations and subsequent events. The Authority expects that the Statement will improve reporting but will not materially affect current practice. The Statement is effective immediately. The Authority is in compliance.

The Authority has not completed the process of evaluating the impact that will result from implementing GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employees Plans. This Statement is intended to improve consistency in the measurement and financial reporting of other postemployment retirement benefits ("OPEB") such as retiree health insurance. This Statement amends Statement No. 43, Financial Reporting for Postretirement Benefit Plans Other Than Pension Plans, and Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The Authority will determine if the provisions of Statement No. 57 related to the use and reporting of alternative measurement methods will be applicable for its OPEB plan and financial statement disclosures issued for the period ending May 31, 2012.

The Government Accounting Standards Board issued GASB Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies. This Statement is intended to improve consistency in the measurement and financial reporting of OPEB such as retiree health insurance. The Authority has determined that this Statement is not applicable.

In June 1999, the GASB adopted its Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" (Statement No. 34). The Authority adopted Statement No. 34 with an effective date of January 1, 2002.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Scope of Audit

The audit covered the financial transactions of the Authority, and the activities of the Board of Commissioners.

D. Budgets and Budgetary Accounting

The State Division of Local Government Services requires that an annual budget be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Authority and approved by the Division per N.J.S.A. 40A:4 et. seq. The Division does not require over-expenditures of individual line items to be raised in the succeeding year budget. If the Authority has a deficit in its unrestricted net assets, it is required to fund the deficit in the succeeding year's budget.

E. Cash, Cash Equivalents and Investments

For the purposes of the Statements of Cash Flows, cash and cash equivalents include all demand and savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2.

F. Inventory

Purchases of materials and supplies are expensed when purchased. The Authority does not maintain an inventory of these purchases. These balances were immaterial in 2009 and 2008.

G. Debt Issuance Costs

Bond issuance costs are deferred and amortized over the life of the bonds. Bond issuance costs are reported as unamortized debt issuance costs and amortized over the term of the debt.

H. Capital Assets

In order to comply with the requirements of the "New Jersey Local Authorities Accounting Principles and Auditing Standards Manual," the Authority has valued capital assets at historical cost and has recorded depreciation thereon (see Note 4).

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### I. Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing and maintaining parking services as well as enforcing parking regulations within the City of Union City, New Jersey. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

### J. Advertising Costs

Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-response are capitalized and amortized over the period during which future benefits are expected to be received. The Authority does not use direct-response advertising. The Authority's advertising costs are for a public relations consultant and some advertising in the local papers.

### K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

## 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

### A. Deposits

N.J.S.A. 17:9-42 and the cash management plan adopted by the Authority requires the Authority to deposit funds in public depositories protected from loss under the provisions of the Government Unit Depository Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

Public funds are defined as the funds of any governmental unit. Public depositories include banks (both state and national banks), savings and loan institutions and savings banks, the deposits of which are federally insured. All public depositories pledge collateral, having a market value of five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories in the collateral pool, is available to pay the full amount of their deposits to the governmental units.

Custodial credit risk is the risk that, in the event of a bank or counterparty failure, the Authority will not be able to recover deposits and/or the value of its investments, or will not be able to recover collateral securities that are in the possession of an outside party.

Foreign currency risk is the risk that changes in exchange rates will adversely affect deposits and/or investments. The Authority does not invest in foreign currency.

As of November 30, 2010 and 2009, none of the Authority's bank balances of $535,497 and $847,043 was exposed to custodial credit risk or foreign currency risk.

As of November 30, 2010 and 2009, the Authority's deposits are summarized as follows:

| | 2010 | 2009 |
|---|---|---|
| Insured | $535,348 | $1,095,968 |
| Petty Cash | 150 | 150 |
| | $535,498 | $1,096,118 |

During 2010 and 2009, the Authority had a compensating balance agreement with Capital One Bank in the amount of $150,000.

## 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

### B. Investments

New Jersey Statutes permit the following investments for local funds:

* Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America.
* Government money market mutual funds.
* Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
* Bonds or other obligations of the local unit or school districts of which the local unit is a part or within which the school district is located.
* Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments.
* Local government investment pools, such as New Jersey CLASS, and the New Jersey Arbitrage Rebate Management Program.
* New Jersey Cash Management Fund.
* Repurchase agreements of fully collateralized securities, subject to the following conditions:1) the underlying securities are permitted investments, 2) the custody of the collateral is transferred to a third party, 3) the maturity of the agreement is not more than 30 days, 4) the underlying securities are purchased through a GUDPA bank or a securities broker-dealer registered with the New Jersey Bureau of Securities.
* Obligations issued by the state and its agencies.

During the years ended November 30, 2010 and 2009, the Authority invested only in certificates of deposits (CD). At the year ended November 30, 2010 they held a 6 month $303,911 CD which is considered an investment. At the year ended November 30, 2010 all CD's were considered cash equivalents because they had original maturities of 3 months or less.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 changing interest rates. At November 30, 2010 and 2009, the Authority did not have any investments which would expose it to any significant interest rate risk.

## 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

### B. Investments (Continued)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At November 30, 2010 and 2009 the Authority had no investments, other than deposits insured by FDIC and GUDPA.

Concentration of Credit Risk - The Authority places no formal limit on the amount it may invest in any one issuer.

## 3. RETIREMENT PLAN

The Authority contributes to the New Jersey Public Employees Retirement System, ("PERS"), a cost-sharing multiple-employer defined benefit plan, administered by the Division of Pensions in the Department of the Treasury, State of New Jersey. The PERS was established in January 1955 under provisions of N.J.S.A. 43:15A and provides retirement, death, disability and medical benefits to certain qualifying plan members and beneficiaries. Membership is mandatory to substantially all full time employees and vesting occurs after 8 to 10 years of service. Employees who retire at or after age 60 are entitled to a retirement benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years compensation for each year of membership during years of credible service.

According to state law, all obligations of the PERS will be assumed by the State of New Jersey should the PERS be terminated. The State of New Jersey issues publicly available financial reports, which include the financial statements and required supplementary information of the PERS. This report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The contribution policy is set by laws of the State of New Jersey. Employee contribution rates for the years ended November 30, 2010, 2009 and 2008 were 5.5, 5.5 and 5.0% of the eligible employees' base wage, respectively. Employers are required to contribute at an actuarially determined rate.

The Authority pays the PERS employee contributions of eligible employees as part of the employee's benefits. PERS employee contributions paid by the Authority for the years ended November 30, 2010, 2009 and 2008 were $33,922, $37,824, and $38,448, respectively.

## 3. RETIREMENT PLAN (Continued)

Annual pension costs for the years ended November 30, 2010, 2009 and 2008 were $57,555, $69,779 and $58,945, respectively.

## 4. CAPITAL ASSETS

**A.** Capital Assets are stated at historical or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

**B.** Capital Asset activity for the year ended November 30, 2010 was as follows:

| | November 30, 2009 | Additions | November 30, 2010 |
|---|---|---|---|
| Land | $ 1,723,338 | | $ 1,723,338 |
| Parking deck | 4,080,678 | - | 4,080,678 |
| Meters | 679,427 | 17,125 | 696,552 |
| Vehicles | 163,933 | - | 163,933 |
| Machinery and equipment | 150,979 | - | 150,979 |
| Computer software | 17,029 | - | 17,029 |
| Leasehold improvements | 67,236 | - | 67,236 |
| Parking lot improvements | 610,297 | 10,900 | 621,197 |
| Total | 5,769,579 | 28,025 | 5,797,604 |
| Less: Accumulated Depreciation | (3,563,583) | (255,967) | (3,819,550) |
| Improvements and equipment, net | 2,205,996 | (227,942) | 1,978,054 |
| Net capital assets | $ 3,929,334 | $ (227,942) | $ 3,701,392 |

## 4. CAPITAL ASSETS (Continued)

C. Assets capitalized have an original cost of $500 or more and 3 or more years of useful life. Depreciation is calculated on the straight line-basis. The useful lives of capital assets for purposes of computing depreciation are:

| Asset Class | Years |
|---|---|
| Parking Deck | 25 |
| Parking Lot Improvements | 7 |
| Meters, Vehicles, Machinery & Equipment and Leasehold Improvements | 5 |
| Computer Software | 3 |

## 5. LONG-TERM BOND PAYABLE

On October 1, 1996, the Authority, the City and the Hudson County Improvement Authority, (the "Improvement Authority"), entered into the "Lease and Agreement among the Parking Authority of the City of Union City, The Hudson County Improvement Authority and the City of Union City" (the "lease agreement"). The lease agreement provided for the financing, through the Improvement Authority's pooled government loan program bonds, of a parking deck on the land located between Bergenline Avenue and Kennedy Boulevard, and covering the entire block from 38th to 39th Street (the "project"). All leases mentioned above were terminated on July 26th, 2006 when the Authority obtained permanent private placement financing through All Points Public Funding, LLC ("All Points"), a North Fork Bank Company (Capital One as of March 2008). The Authority has recorded the parking deck described above in capital assets at a total cost of $4,080,678.

On July 26th, 2006 the Authority issued a bond payable to All Points for $2,900,000 at a fixed rate of interest of 4.75%, maturing on August 1, 2021. Additionally, the Authority transferred $990,000 of invested funds to the HCIA to refund the Capital Lease Payable. The Authority also paid $134,000 in costs of issuance on the bond out of their invested funds.

## 5. LONG-TERM BOND PAYABLE (Continued)

The maturities of the bond are as follows:

| | Original | | Maturities | | | Balance November 30, | Paid in | Balance November 30, |
|---|---|---|---|---|---|---|---|---|
| Description | Date | Amount | Rate | Date | Amount | 2009 | 2010 | 2010 |
| Private Placement | | | | | | | | |
| Bond | 07/26/06 | $ 2,900,000 | 4.75 | 8/1/11 | 164,900 | | | |
| | | | 4.75 | 8/1/12 | 172,700 | | | |
| | | | 4.75 | 8/1/13 | 180,900 | | | |
| | | | 4.75 | 8/1/14 | 189,500 | | | |
| | | | 4.75 | 8/1/15 | 198,500 | | | |
| | | | 4.75 | 8/1/16 | 208,000 | | | |
| | | | 4.75 | 8/1/17 | 217,800 | | | |
| | | | 4.75 | 8/1/18 | 228,200 | | | |
| | | | 4.75 | 8/1/19 | 239,000 | | | |
| | | | 4.75 | 8/1/20 | 250,400 | | | |
| | | | 4.75 | 8/1/21 | 262,300 | | | |
| | | | | | | $ 2,469,600 | $ 157,400 | $ 2,312,200 |
| Current portion of bonds payable | | | | | | $ 157,400 | | $ 164,900 |
| Long-term portion of bonds payable | | | | | | 2,312,200 | | 2,147,300 |
| | | | | | | $ 2,469,600 | | $ 2,312,200 |

Schedule of Annual Debt Service for
Principal and Interest for the Next
Five Years and Thereafter for Bonded Debt Issued and Oustanding

| Year | Principal | Interest | Totals |
|---|---|---|---|
| 2011 | 164,900 | 109,830 | 274,730 |
| 2012 | 172,700 | 101,997 | 274,697 |
| 2013 | 180,900 | 93,794 | 274,694 |
| 2014 | 189,500 | 85,201 | 274,701 |
| 2015-2019 | 1,091,500 | 282,112 | 1,373,612 |
| 2020-2021 | 512,700 | 36,812 | 549,512 |
| Totals | $ 2,312,200 | $ 709,746 | $ 3,021,946 |

## 6. PARKING RATES

The Authority charges meter rates of twenty-five cents per half hour in the meters in its parking decks and the streets, and twenty-five cents per hour for meters located in its lots throughout the City. In addition, the Authority allows monthly permit parking in each of its lots. The monthly permit fee is $75, except for 6th and 12th street lots where it is $60 per month. The Authority also issues business and employee permits for $25 a year. These permits are for businesses within Union City and employees of the City of Union City and other governmental agencies.

## 7. INTERLOCAL GOVERNMENT SERVICE AGREEMENT

On February 16, 2000, the Board of Commissioners approved the Authority's participation in an Interlocal Government Service Agreement with the City. Under this agreement the Authority made a residual equity transfer to the City in the amount of $1,000,000 in exchange for previous services rendered and in anticipation of the City providing future services, and monthly surcharge revenues of two dollars per parking ticket processed through the City's Municipal Court. Services to be provided include adequate space for the operation of the Authority until at least January 1, 2010 and the following services and assistance as is reasonably and fiscally possible within the limits of the City's manpower and finances: a) mechanical sweeping of the Authority's off-street parking locations, b) repair and maintenance of Authority owned and/or operated vehicles, c) snow plowing and/or snow removal from the Authority's off-street parking facilities, d) utility services incurred as a result of the operation of the Authority's offices, such as water, sewer and telephone, and e) any and all similar services which the City can provide to the Authority as a result of its normal government functions.

Effective January 2002, the surcharge revenue was increased to three dollars per ticket. Surcharge revenues for the years ended November 30, 2010 and 2009 were $288,503 and $315,114 respectively.

## 8. NOTES PAYABLE

The balance of $2,674 at November 30, 2010 and 2009 represents non-interest bearing notes of the Authority due to former Commissioners.

## 9. LEASE COMMITMENTS

The Authority leased office store facilities to the United States Postal Service under a non-cancelable operating lease which expired on April 30, 2006. The Post office is currently paying month-to-month and the Authority intends on executing a new lease agreement with the post-office. Rental income for the years ended November 30, 2010 and 2009 were $24,300 and $24,300 respectively. Additionally, the Authority leases 3 parking spaces and storage space at its 38th Street Parking Garage for $18,000 a year through November 30, 2011.

## 10. NET ASSETS

Net assets represent the difference between the Authority's assets and liabilities. Net assets are categorized into three components:

Invested in capital assets and leasehold interest, net of related debt: This component of net assets consists of capital assets and leasehold interest, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, notes or other borrowings.

Restricted: Net assets are reported as restricted when constraints are placed on the use of the net assets by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Unrestricted: Net assets that do not meet the definition of invested in capital assets and leasehold interest, net of related debt or restricted.

Net asset amounts were calculated as follows:

| | 2010 | 2009 |
|---|---|---|
| **Invested in Capital Assets, net of related debt** | | |
| Net Capital Assets | $ 3,701,392 | $ 3,929,334 |
| Bond Payable | (2,319,300) | (2,469,600) |
| | 1,382,092 | 1,459,734 |
| **Restricted** | - | - |
| **Unrestricted** | 620,033 | 1,056,320 |
| **TOTAL NET ASSETS** | $ 2,002,125 | $ 2,516,054 |

## 11. COMPENSATED ABSENCES

Effective November 28, 2006 the Authority adopted a policy on the accrual of vacation and sick time which allows for employees to accrue the time in the current year and take it by the end of the next year or be forfeited. Prior to that, the Authority had no formal policy; but based on resolutions passed by the board which awarded accrued sick and vacation time and adjudicated cases, the Authority is liable for accrued sick and vacation pay prior to the November 2006 resolution. The following were the amounts accrued as of the years ended November 30, 2010 and 2009, respectively, $127,422 and $127,422.

## 12. POST EMPLOYMENT BENEFITS

The Authority participates in the New Jersey State Health Benefits Program (SHBP) which is a cost-sharing, multiple-employer health insurance plan. The SHBP, which was originally established in 1961, provides medical, prescription drug, mental health/substance abuse and Medicare part B reimbursements to retirees and their covered dependents. The SHBP is currently funding the benefits on a "pay-as-you-go" basis.

The Authority currently provides lifetime medical benefits to employees who retire on a paid pension after twenty-five years of service with the Authority.

For the years ended November 30, 2010 and 2009, the Authority had three employees receiving post employment benefits. The following were the amounts paid for retired employees health benefits during the years ended November 30, 2010 and 2009, respectively, $29,500 and $29,500.

In accordance with Government Accounting Standards Board Statements Numbers 43 and 45, an actuarially determined liability should be calculated for other post retirement benefits (OPEB). Per State of New Jersey Local Finance Notice 2007-15, which was issued June 29, 2007, "Local units that provide an OPEB and are members of the SHBP can rely on calculations made by the SHBP and the resulting disclosure requirements." An OPEB liability for the Authority has not been determined as of the audit date; however, an actuarial valuation for the SHBP is available for viewing over the internet at: *www.state.nj.us/treasury/pensions/shbp.htm.*

## 13. RISK MANAGEMENT

The Authority is exposed to various property and casualty risks including property damage caused to any of the Authority's property, motor vehicles, equipment or apparatus; liability resulting from the use or operation of such motor vehicles, equipment or apparatus; liability from the Authority's negligence, including that of its officers, employees and servants and workers' compensation obligations. The Authority holds commercial insurance policies which insure against the risk of loss for all of the above mentioned claims.

# SUPPLEMENTARY INFORMATION

# PARKING AUTHORITY OF THE CITY OF UNION CITY
# SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH AND CASH EQUIVALENTS
# YEAR ENDED NOVEMBER 30, 2010

| | |
|---|---|
| Balance as of November 30, 2009 | |
| Cash and cash equivalents | $ 795,416 |
| Increased by receipts: | |
| Parking receipts | 2,022,562 |
| Interest receipts | 4,329 |
| Other receipts | 47,150 |
| Total receipts | 2,074,041 |
| Decreased by disbursements: | |
| Operating disbursements | 2,343,905 |
| Purchases of Investments | 19,260 |
| Bond principal paid | 157,400 |
| Interest paid | 117,306 |
| Total disbursements | 2,637,871 |
| Balance as of November 30, 2010 | |
| Cash and cash equivalents | $ 231,586 |

PARKING AUTHORITY OF THE CITY OF UNION CITY
SCHEDULE OF REVENUES AND EXPENSES
COMPARED TO BUDGET
YEAR ENDED NOVEMBER 30, 2010 WITH COMPARATIVE
ACTUAL AMOUNTS FOR THE YEAR ENDED NOVEMBER 30, 2009

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| Revenues: | | | |
| Parking meter revenues | $ 1,210,000 | $ 1,330,727 | $ 1,379,045 |
| Parking permit revenues | 555,000 | 422,714 | 434,034 |
| Surcharge revenues | 215,000 | 288,503 | 315,114 |
| Rental income | 24,300 | 24,300 | 24,300 |
| Interest income from investments | 5,700 | 4,381 | 6,528 |
| Miscellaneous income | 18,000 | 28,874 | 19,340 |
| Total Revenues | 2,028,000 | 2,099,499 | 2,178,361 |
| Expenses: | | | |
| Salaries and wages | 1,200,000 | 1,126,443 | 1,042,218 |
| Payroll tax expense | 110,000 | 106,436 | 86,865 |
| Employee benefits | 360,000 | 468,054 | 434,768 |
| Office expense | 36,750 | 30,829 | 47,065 |
| Uniform expense | - | 5,688 | 5,193 |
| Meter repairs and maintenance | 18,900 | 12,701 | 15,026 |
| General repairs and maintenance | 21,000 | 34,345 | 38,445 |
| Vehicle maintenance | 10,500 | 5,044 | 4,615 |
| Parking lot maintenance | 26,250 | 7,778 | 3,589 |
| Utilities | 31,500 | 57,135 | 36,860 |
| Snow removal | 10,000 | 14,557 | 5,784 |
| Insurance | 189,000 | 261,032 | 187,383 |
| Legal fees | - | 28,149 | - |
| Accounting fees | 51,000 | 47,989 | 35,861 |
| Other professional fees | 37,800 | 53,775 | 82,291 |
| Advertising | 28,350 | 4,116 | 16,440 |
| Interest expense | - | 114,814 | 122,066 |
| Total Expenses | 2,131,050 | 2,378,885 | 2,164,469 |
| Adjustments - GAAP Basis: | | | |
| Revenues Less Expenses | | (279,386) | 13,892 |
| Depreciation and Amortization | | (234,543) | (210,801) |
| Net (Decrease) Increase in Net Assets - GAAP Basis | | $ (513,929) | $ (196,909) |

PARKING AUTHORITY OF THE CITY OF UNION CITY
SCHEDULE OF COST OF REAL PROPERTY
NOVEMBER 30, 2010 AND 2009

| Lot Number and Location | Purchase Price |
|---|---|
| 8th - 10th Street Lot: | |
| 720 - 724 8th Street | $ 140,000 |
| 719 - 721 10th Street | 76,559 |
| 723 10th Street | 47,500 |
| 12th Street Lot | 320,000 |
| 25th Street Lot: | |
| 509 25th Street | 8,500 |
| 511 25th Street | 6,000 |
| 513 25th Street | 5,500 |
| 515 25th Street | 6,000 |
| 35th - 36th Street Lot: | |
| 516 - 526 35th Street | 13,004 |
| 517 - 519 36th Street | 32,250 |
| 521 - 527 36th Street | 10,251 |
| 36th - 37th Street Lot: | |
| 514 - 518 36th Street | 13,042 |
| 520 - 530 36th Street | 8,505 |
| 515 - 517 37th Street | 12,501 |
| 519 - 527 37th Street | 12,342 |
| 37th - 38th Street Lot: | |
| 512 37th Street | 52,500 |
| 514 37th Street | 72,500 |
| 516 37th Street | 33,000 |
| 511- 513 38th Street | 83,500 |
| 515 38th Street | 90,000 |
| 38th - 39th Street Lot (parking deck): | |
| 506 - 508 38th Street | 7,500 |
| 512 - 518 38th Street | 48,000 |
| 511 - 517 39th Street | 9,002 |
| 41st - 42nd Street Lot: | |
| 510 - 514 41st Street | 5,000 |
| 516 41st Street | 11,250 |
| 518 41st Street | 52,002 |
| 509 - 511 42nd Street | 5,000 |
| 513 42nd Street | 22,500 |
| 515 42nd Street | 43,000 |
| 517 42nd Street | 65,000 |
| 44th - 45th Street Lot: | |
| 404 44th Street | 70,000 |
| 406 44th Street | 16,500 |
| 408 44th Street | 26,500 |
| 410 44th Street | 35,000 |
| 413 45th Street | 100,000 |
| 415 - 417 45th Street | 62,000 |
| 47th - 48th Street Lot: | |
| 4705 Bergenline Avenue | 20,025 |
| 4707 - 4711 Bergenline Avenue | 15,105 |
| 509 48th Street | 66,500 |
| | $ 1,723,338 |

PARKING AUTHORITY OF THE CITY OF UNION CITY
SCHEDULE OF OPERATING REVENUES BY LOCATION
YEAR ENDED NOVEMBER 30, 2010 WITH COMPARATIVE AMOUNTS FOR YEARS ENDED
NOVEMBER 30, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002 and 2001

| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Meter Revenues:** | | | | | | | | | | |
| Bagged Meters | $ 9,680 | $ 3,636 | $ 9,360 | $ 7,275 | $ 12,345 | $ 9,750 | $ 10,501 | $ 12,249 | $ 8,460 | $ 3,710 |
| 32nd Street Meters | 62,431 | 62,511 | 62,060 | 72,228 | 57,057 | 60,784 | 56,223 | 58,358 | 54,244 | 47,432 |
| 35th-36th Street Lot | 40,480 | 35,616 | 30,530 | 31,115 | 32,298 | 30,780 | 29,435 | 27,649 | 31,811 | 32,572 |
| 36th-37th Street Lot | 31,950 | 29,811 | 23,153 | 21,940 | 24,802 | 27,812 | 26,643 | 25,540 | 26,497 | 29,764 |
| Kennedy Blvd. Meters | 39,561 | 40,399 | 37,986 | 36,181 | 35,743 | 34,798 | 34,641 | 34,592 | 30,935 | 28,459 |
| 41st-42nd Street Lot | 35,859 | 38,890 | 37,448 | 40,485 | 44,758 | 43,049 | 40,807 | 40,793 | 44,127 | 49,715 |
| 48th Street Meters | 77,799 | 84,758 | 77,552 | 71,769 | 73,630 | 65,055 | 64,363 | 57,647 | 64,801 | 62,878 |
| New York Avenue Meters | 84,233 | 88,443 | 87,862 | 87,339 | 89,921 | 91,047 | 73,624 | 68,210 | 83,893 | 83,566 |
| Side Street Meters | 260,707 | 271,155 | 271,384 | 283,410 | 290,877 | 285,471 | 275,816 | 258,967 | 250,203 | 224,861 |
| Upper Bergenline Avenue Meters | 182,314 | 190,874 | 188,585 | 192,661 | 178,641 | 198,432 | 202,331 | 209,792 | 201,425 | 184,014 |
| Lower Bergenline Avenue Meters | 189,417 | 194,334 | 191,985 | 208,802 | 212,863 | 200,076 | 181,650 | 147,006 | 164,319 | 164,649 |
| Tunnel Cut Meters | 55,909 | 70,479 | 73,235 | 72,024 | 74,433 | 71,856 | 71,382 | 59,299 | 56,539 | 53,172 |
| Summit Avenue Meters | 149,423 | 147,944 | 147,946 | 148,873 | 153,957 | 144,526 | 144,434 | 141,310 | 144,371 | 132,780 |
| 47th-48th Street Lot | 21,755 | 20,260 | 17,395 | 17,342 | 19,376 | 18,802 | 18,839 | 18,238 | 19,025 | 27,854 |
| 44th-45th Street Lot | 36,794 | 40,250 | 39,596 | 40,117 | 41,778 | 38,972 | 40,849 | 42,207 | 51,217 | 57,176 |
| 8th-10th Street Lot | 21,543 | 16,607 | 14,468 | 14,650 | 15,690 | 16,479 | 16,824 | 16,456 | 13,220 | 12,671 |
| 37th-38th Street Lot | 3,300 | 27,107 | 24,564 | 25,676 | 26,862 | 26,161 | 25,772 | 24,612 | 24,039 | 26,433 |
| Park Avenue & Palisade Avenue Meters | | | | - | - | - | - | - | - | 9,722 |
| Parking Deck - 38th Street | 27,572 | 15,971 | 17,507 | 23,610 | 24,426 | 24,513 | 25,723 | 23,727 | 23,225 | 23,151 |
| **Total Meter Revenues** | 1,330,727 | 1,379,045 | 1,352,616 | 1,395,497 | 1,409,457 | 1,388,363 | 1,339,857 | 1,266,652 | 1,292,351 | 1,254,579 |
| Parking Permits | 422,714 | 434,034 | 472,175 | 449,099 | 401,964 | 358,605 | 343,468 | 368,576 | 329,307 | 287,323 |
| Surcharge | 288,503 | 315,114 | 349,961 | 389,660 | 412,622 | 407,225 | 409,954 | 419,079 | 453,213 | 295,100 |
| **Total Operating Revenues** | $2,041,944 | $2,128,193 | $ 2,174,752 | $ 2,234,256 | $ 2,224,043 | $ 2,154,193 | $2,093,279 | $ 2,054,307 | $ 2,074,871 | $ 1,837,002 |

# PARKING AUTHORITY OF THE CITY OF UNION CITY
# SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS - RESTRICTED AND UNRESTRICTED
# YEAR ENDED NOVEMBER 30, 2010

| | Unrestricted Funds | Restricted Fund | Invested in Capital Assets, net of related debt | Total Net Assets |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Parking revenue | $ 1,753,441 | $ - | $ - | $ 1,753,441 |
| Ticket revenue | 288,503 | - | - | 288,503 |
| Other revenue | 53,173 | - | - | 53,173 |
| | 2,095,117 | - | - | 2,095,117 |
| Operating expenses: | | | | |
| Operating expenses | 2,264,071 | - | - | 2,264,071 |
| Depreciation | - | - | 227,942 | 227,942 |
| | 2,264,071 | - | 227,942 | 2,492,013 |
| Operating income (loss): | (168,954) | - | (227,942) | (396,896) |
| Non-operating revenue (expense): | | | | |
| Amortization expense | (6,600) | | | (6,600) |
| Interest income | 4,381 | - | - | 4,381 |
| Interest expense | (114,814) | - | - | (114,814) |
| | (117,033) | - | - | (110,433) |
| Payment of bond principal | (157,400) | - | 157,400 | - |
| Change in net assets | (443,387) | | (70,542) | (513,929) |
| Net assets - beginning of year | 1,056,320 | - | 1,459,734 | 2,516,054 |
| Net assets - end of year | $ 612,933 | $ - | $ 1,389,192 | $ 2,002,125 |

PARKING AUTHORITY OF THE CITY OF UNION CITY

GENERAL COMMENTS AND RECOMMENDATIONS

NOVEMBER 30, 2010

**Contracts and Agreements Required to be Advertised for (N.J.S.A. 40A:11-4 As Amended)**

N.J.S.A. 40A:11-4, as amended, states, "Every contract or agreement, for the performance of any work or the hiring or furnishing of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this Act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate of $21,000 except by contract or agreement".

The Authority has the responsibility of determining whether the expenditures in any category will exceed the bidding threshold. If a question arises as to whether any contract or agreement might result in violation of the statute, opinion should be sought from Counsel before a commitment is made.

The minutes indicate that there were Resolutions adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5. The minutes also indicate that there were no bids requested by public advertisement during the year ended November 30, 2010.

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

**Expenditure Less Than Bid Threshold, but 15% or More of that Amount per N.J.S.A. 40A:11-6.1**

N.J.S.A. 40A:11-6.1 states, "For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount, the contracting agent shall award the contract after soliciting at least two competitive quotations, if practicable. The award shall be made to a vendor whose response is most advantageous, price and other factors considered. The contracting agent shall retain the record of the quotation solicitation and shall include a copy of the record with the voucher used to pay the vendor." The Authority advised us that quotations were, for the most part, solicited for items, the cost of which was $3,150 or more, within the terms of N.J.S.A. 40A:11-6.1. However see comment 09-02, where we noted that evidence of those quotations were not maintained.

## PARKING AUTHORITY OF THE CITY OF UNION CITY

## COMMENTS AND RECOMMENDATIONS

## NOVEMBER 30, 2010

**COMMENT 09-01:**

**CONDITION:** As in the prior two audits, a significant number of vouchers tested did not have claimant signatures.

**CRITERIA:** N.J.A.C. 5:31-4 states that "All persons submitting a claim for payment from authority moneys...with the certification of the party claiming payment that it is correct."

**RECOMMENDATION:** The Authority needs to improve its controls over the payment of vouchers.

**AUTHORITY'S RESPONSE:** The Authority will only release checks when vouchers are signed by both the vendor or claimant and the Authority.

**COMMENT 09-02:**

**CONDITION:** As previously noted, the Authority did not maintain evidence of obtaining quotes on purchases of goods and services of at least $3,150.

**CRITERIA:** N.J.S.A. 40A:11-6.1 states that "For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount, the contracting agent shall award the contract after soliciting at least two competitive quotations, if practicable. The award shall be made to a vendor whose response is most advantageous, price and other factors considered. The contracting agent shall retain the record of the quotation solicitation and shall include a copy of the record with the voucher used to pay the vendor."

**COMMENT 09-02 (Continued):**

**RECOMMENDATION:** The Authority needs to retain records of quotation solicitations for purchases of goods and services for which this requirement is not exempted under the statute.

**AUTHORITY'S RESPONSE:** The Authority will attempt to maintain proper records of all quotes obtained.

**COMMENT 09-03:**

**CONDITION:** The Authority invests a small amount of its assets in investments not allowed by the State of New Jersey.

**CRITERIA:** N.J.A.C. 40A:5-14 states that "Each local unit shall adopt a cash management plan and shall deposit, or invest, or both deposit and invest, its funds pursuant to that plan". Additionally, the statute says that "The cash management plan may provide for the purchase of certificates of deposit in accordance with the following conditions:

(1) the funds are initially invested through a public depository as defined in section 1 of P.L.1970, c.236 (C.17:9-41) designated by the local unit."

N.J.S.A. 17:9-41 states... ""Public depository" means a State or federally chartered bank, savings bank or an association located in this State or a state or federally chartered bank, savings bank or an association located in another state with a branch office in this State, the deposits of which are insured by the Federal Deposit Insurance Corporation and which receives or holds public funds on deposit;"

**RECOMMENDATION:** The Authority needs to make investments in accordance with applicable state statutes.

**AUTHORITY'S RESPONSE:** The Authority will make investments in accordance with applicable state statutes.

PARKING AUTHORITY OF THE CITY OF UNION CITY

COMMENTS AND RECOMMENDATIONS

NOVEMBER 30, 2010

**COMMENT 09-04:**

| | |
|---|---|
| **CONDITION:** | The Authority did not receive NJ Business Registration Certificates from vendors when required. |
| **CRITERIA:** | New Jersey P.L. 2004, c.57 requires that "Local Unit's" purchasing or contracting from vendors, in an amount which is 15% for more of the bid threshold for that local unit; must receive a valid NJ Business Registration Certificate. |
| **RECOMMENDATION:** | The Authority needs to obtain a NJ Business Registration certificate before it issues a purchase order for more than $3,150 on an annual basis. |
| **AUTHORITY'S RESPONSE:** | The Authority will attempt to obtain all necessary NJ Business Registration Certificates. |

# STATISTICAL SECTION

PARKING AUTHORITY OF THE CITY OF UNION CITY

OPERATING REVENUES BY FUNCTION

LAST TEN FISCAL YEARS

NOVEMBER 30, 2010

| Year ended November 30, | Parking Meters | Parking Permits | Surcharge | Rental Income | Other | Totals |
|---|---|---|---|---|---|---|
| 2010 | $ 1,330,727 | $ 422,714 | $ 288,503 | $ 24,300 | $ 28,874 | $ 2,095,118 |
| 2009 | $ 1,379,045 | $ 434,034 | $ 315,114 | $ 24,300 | $ 19,340 | $ 2,171,833 |
| 2008 | $ 1,352,616 | $ 472,175 | $ 349,961 | $ 24,300 | $ 10,522 | $ 2,209,574 |
| 2007 | $ 1,395,497 | $ 449,099 | $ 389,660 | $ 24,300 | $ 16,724 | $ 2,275,280 |
| 2006 | $ 1,409,457 | $ 401,964 | $ 412,622 | $ 19,645 | $ 7,301 | $ 2,250,989 |
| 2005 | $ 1,388,363 | $ 358,605 | $ 407,225 | $ 22,848 | $ 483 | $ 2,177,524 |
| 2004 | $ 1,339,857 | $ 343,468 | $ 409,954 | $ 22,848 | $ 3,885 | $ 2,120,012 |
| 2003 | $ 1,266,652 | $ 368,576 | $ 419,079 | $ 22,848 | $ 12,879 | $ 2,090,034 |
| 2002 | $ 1,292,351 | $ 329,307 | $ 453,213 | $ 22,848 | $ 4,715 | $ 2,102,434 |
| 2001 | $ 1,254,579 | $ 287,323 | $ 295,100 | $ 22,551 | $ 1,296 | $ 1,860,849 |

# PARKING AUTHORITY OF THE CITY OF UNION CITY

## EXPENSES BY FUNCTION

## LAST TEN FISCAL YEARS

## NOVEMBER 30, 2010

| Year ended November 30, | Salaries, payroll taxes and benefits | Other expenses | Totals |
|---|---|---|---|
| 2010 | $ 1,700,933 | $ 879,911 | $ 2,580,844 |
| 2009 | $ 1,563,851 | $ 811,419 | $ 2,375,270 |
| 2008 | $ 1,638,059 | $ 809,003 | $ 2,447,062 |
| 2007 | $ 1,589,336 | $ 860,891 | $ 2,450,227 |
| 2006 | $ 1,326,847 | $ 952,254 | $ 2,279,101 |
| 2005 | $ 1,237,161 | $ 901,664 | $ 2,138,825 |
| 2004 | $ 1,234,494 | $ 861,581 | $ 2,096,075 |
| 2003 | $ 1,128,011 | $ 917,003 | $ 2,045,014 |
| 2002 | $ 1,057,333 | $ 739,446 | $ 1,796,779 |
| 2001 | $ 837,428 | $ 729,541 | $ 1,566,969 |

# PARKING AUTHORITY OF THE CITY OF UNION CITY

## MISCELLANEOUS STATISTICS

## NOVEMBER 30, 2010

| | |
|---|---|
| Form of Government | Authority |
| Number of Employees | 28 |
| Number of Parking Lot Spaces | 805 |
| Number of Meters | 1,700 |