



Parking Authority

PARKING AUTHORITY OF THE CITY OF NEW BRUNSWICK

**Financial Statements and
Required Supplementary Information**

December 31, 2010

With Independent Auditors' Reports

Parking Authority of the City of New Brunswick
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December 31, 2010

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Parking Authority of the City of New Brunswick Management's Discussion and Analysis Year Ended December 31, 2010 (Unaudited)

The Parking Authority of the City of New Brunswick (the "Authority"), New Jersey is a public body, corporate and politic, organized and existing under the provisions of New Jersey Law of 1948, New Jersey Statutes Annotated 40:11A. The Authority was created by an ordinance of the City of New Brunswick (the "City") adopted August 3, 1948 to develop, operate and maintain parking facilities within the City of New Brunswick. The following Management's Discussion and Analysis of the activities and financial performance of the Authority provides an introduction to the financial statements of the Authority for the year ended December 31, 2010. Please read it in conjunction with the Authority's financial statements and accompanying notes.

Accountability

The New Brunswick Parking Authority's mission statement is to contribute to the vitality of the City of New Brunswick by:

- Providing and maintaining parking services and facilities that are clean, safe and affordable.
- Serving the parking public.
- Promoting the free flow of traffic.
- Valuing the customers and residents served.

This is accomplished by the Authority constructing, maintaining and operating off-street parking facilities, promoting traffic improvements, improving conditions affecting public safety and welfare and following an 11 point standard of service, with the basis being promoting the businesses and services within the City of New Brunswick and respecting and exceeding our customers, public and coworkers' expectation.

The Authority is also responsible for the operation of on-street parking meters and management of related facilities, as well as the lease and rental of business/commercial properties owned by the Authority. Also maintained by the Authority is the downtown maintenance of the Commercial Business District along with the management of a New Jersey Transit Park and Ride.

Future Economic Outlook

The New Brunswick Parking Authority recently constructed a new 657 space parking garage within the Transit Village project. This project was completed in late 2011 and will include 200 residential units, approximately 50,000 square feet of commercial office space, 14,000 square feet of retail space and a 47,000 square foot Rutgers bookstore.

The Jelin Street/Wellness Plaza Project is currently being constructed. Due to be completed late 2012, this project includes a new 1250 space parking garage as well over 100,000 square feet of retail space which will be home to the RWJ Health and Wellness Center and the Fresh Grocer Supermarket.

After the Wellness Project opens, and in an effort to help reduce long term maintenance expenses, the NBPA will be closing the Wolfson Garage and a portion of the Ferren Garage. Both these structures have met their useful life as was determined by Tim Haahs and Associates, structural engineers.

These projects are a part of the ongoing, redevelopment within New Brunswick that are designed to increase the number of residents, employers and visitors in the City.

Financial Highlights

- Unrestricted cash and cash equivalents decreased by approximately \$121,000, however, restricted cash and cash equivalents increased by approximately \$136,449,000, which was a result of bond proceeds received amounting to approximately \$191,330,000 offset by payments for construction, bond refunding, and bond costs amounting to approximately \$54,881,000.

**Parking Authority of the City of New Brunswick
Management's Discussion and Analysis
Year Ended December 31, 2010
(Unaudited)**

- Parking Revenue Bonds in the amount of \$174,000,000 and \$9,000,000 were issued during 2010 in order to pay for construction costs related to the Transit Village project and the Jelin Street Project. Bonds in the amount of \$7,330,000 were issued in 2010 as an advance refunding and the proceeds were utilized to refund the series 1999 guaranteed revenue bonds.
- The Authority is current on all debt service requirements.
- During 2010, the Authority made principal payments aggregating approximately \$3,325,000.
- Notes payable were issued in the amount of \$27,000,000 and \$17,000,000 as short term financing in anticipation of the bonds issued.
- Notes payable from 2009 were paid down in 2010 utilizing the proceeds from the bond issuances.
- Capital asset additions were significant during the current year as a result of the continued construction on the Transit Village project and the Jelin Street Project. As a result, capital assets and construction in progress increased by approximately \$57,065,000, net of depreciation expense, during 2010.
- Management has restated 2009 numbers to reflect changes encountered during the 2010 audit.

Overview of the Financial Statements

The Authority is a self-supporting entity and follows enterprise fund reporting. The Authority's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles as promulgated by the Government Accounting Standards Board. Enterprise fund statements reflect 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.

Comparative Statements of Net Assets

	2010	2009 (Restated)
Assets		
Current assets	\$ 75,608,779	\$ 19,319,084
Noncurrent assets	<u>255,274,456</u>	<u>114,374,354</u>
Total assets	<u>\$ 330,883,235</u>	<u>\$ 133,693,438</u>
Liabilities		
Current liabilities	\$ 55,824,662	\$ 41,394,772
Long-term liabilities	<u>262,356,484</u>	<u>81,489,451</u>
Total liabilities	<u>\$ 318,181,146</u>	<u>\$ 122,884,223</u>
Net Assets		
Restricted	\$ 14,885,154	\$ 14,885,154
Net investment in capital assets	12,474,123	12,474,123
Unreserved retained deficit	<u>(14,657,188)</u>	<u>(16,550,062)</u>
Total net assets	<u>\$ 12,702,089</u>	<u>\$ 10,809,215</u>

Net assets resulting from the Authority's activities were \$12,702,089 and \$10,809,215 at December 31, 2010 and 2009, respectively. Significant changes were seen in total assets due to increases in both current assets and noncurrent assets due to bond proceeds received in the current year in addition to construction on the Transit Village project and the Jelin Street Project. Total liabilities increased due to the issuance of bonds in 2010 and increases in current liabilities due to construction costs incurred.

**Parking Authority of the City of New Brunswick
Management's Discussion and Analysis
Year Ended December 31, 2010
(Unaudited)**

Comparative Statement of Revenues, Expenditures and Change in Net Assets

The comparative statement of revenues and expenditures reports all of the current year's revenues and expenses regardless of when cash is paid or received.

	2010	2009 (Restated)
Revenue		
Operating revenue		
Charges for services	\$ 18,689,354	\$ 18,225,196
Non-operating revenue		
Interest earned on investments	130,645	358,671
Grant revenue	<u>2,000,000</u>	<u>--</u>
	<u>20,819,999</u>	<u>18,583,867</u>
Expenses		
Operating expenses		
Cost of providing services	6,014,954	5,627,019
Administrative and general	1,629,775	1,334,462
Depreciation	3,095,760	2,787,562
Nonoperating expenses		
Interest expense	4,067,745	4,164,636
Amortization of debt fees and costs	118,891	342,667
PILOT	<u>4,000,000</u>	<u>3,803,516</u>
	<u>18,927,125</u>	<u>18,059,862</u>
Increase in net assets	<u>\$ 1,892,874</u>	<u>\$ 524,005</u>

The Authority realized an increase in revenues from operations (charges for services) of approximately \$464,000, an increase of 3 percent over 2009. Additionally, the Authority was awarded a grant from the New Jersey Department of Transportation ("NJDOT") towards construction of the Transit Village project. The grant will be a total of \$14,000,000 to be paid over 14 fiscal years. The Authority realized \$2,000,000 of grant revenue in 2010 which represented both 2009 and 2010 payments by NJDOT. Interest earned on investments substantially decreased due to lower interest rates and funds not being deposited into the accounts until late in 2010.

The Authority incurred an increase in expenses from operations of approximately \$991,000, an increase of 10 percent over 2009 which was a result of increases in salary and related expenses, employee benefits, and other expenses which approximated \$991,000. Non-operating expenses increased due to additional interest expense incurred and increase in the payment in lieu of taxes. Overall expenses increased by \$867,000, an increase of 5 percent over 2009.

**Parking Authority of the City of New Brunswick
Management's Discussion and Analysis
Year Ended December 31, 2010
(Unaudited)**

Capital Asset and Debt Administration

The Authority's capital assets consisted of the following at December 31:

	2010	2009 (Restated)	%Increase (Decrease)
Land	\$ 12,266,190	\$ 12,266,190	0.00%
Equipment	1,665,864	1,367,603	21.81%
Parking facilities and renovations	83,868,619	87,053,140	-3.66%
Signage	39,715	30,265	31.22%
Project development	<u>74,984,786</u>	<u>11,687,836</u>	541.56%
	172,825,174	112,405,034	53.75%
Accumulated depreciation	<u>(25,914,837)</u>	<u>(24,710,710)</u>	4.87%
	<u>\$ 146,910,337</u>	<u>\$ 87,694,324</u>	67.53%

Overall, capital assets increased by approximately \$59,216,000 from 2009 to 2010. The increase in capital assets is due predominantly to the increase in project development assets of approximately \$63,297,000, net of reclassification from project development to assets in service of approximately \$1,893,000. Additionally, the Authority incurred depreciation of approximately \$3,096,000 which caused an increase in accumulated depreciation offset by retirements of capital assets amounting to approximately \$1,892,000 during 2010.

Debt Outstanding

The Authority had the following debt outstanding at December 31:

	2010	2009 (Restated)	%Increase (Decrease)
Revenue bonds payable	\$ 263,790,785	\$ 82,623,269	219.27%
Capital appreciation bond payable	601,923	824,255	-26.97%
Bonds anticipation notes payable	<u>44,000,000</u>	<u>35,050,000</u>	25.53%
	<u>\$ 308,392,708</u>	<u>\$ 118,497,524</u>	160.25%

Overall, bonds payable increased substantially from 2009 to 2010 due to two bond issuances amounting to \$174,000,000 and 9,000,000, respectively, in addition to a refunding bond issuance amounting to \$7,330,000, which was used to refinance an existing bond issue of \$7,195,000. The Authority made principal payments in the amount of \$3,630,000 during 2010 which reduced the outstanding debt balance. The Authority paid down four bond anticipation notes payable during 2010 amounting to \$38,150,000 and issued three bond anticipation notes payable amounting to \$47,100,000 resulting in an overall increase in bond anticipation notes payable of \$8,950,000. The Authority is current on all debt obligations.

Contacting the Authority's Management

This financial report is designed to provide the residents and taxpayers of the City of New Brunswick, and the Authority's customers, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Parking Authority of the City of New Brunswick, One Penn Plaza, New Brunswick, New Jersey 08901.



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Independent Auditors' Report

The Honorable Chairman and Authority Commissioners
Parking Authority of the City of New Brunswick
One Penn Plaza
New Brunswick, New Jersey 08901

We have audited the statement of net assets of the Parking Authority of the City of New Brunswick (the "Authority"), a proprietary fund, as of December 31, 2010 and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 Bureau of Authority Regulations, Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 audit provides a reasonable basis for our opinion.

Because of inadequacies in the Authority's accounting records with respect to cash collection on parking revenue, we were unable to form an opinion regarding the amount of parking revenue in the accompanying statement of revenues, expenses and changes in net assets.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had parking revenue been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the financial position of the Parking Authority of the City New Brunswick, as of December 31, 2010, and the results of its operations, changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 20 to the financial statements, certain errors resulting in over(under) statement of previously reported net assets as of and for the year ended December 31, 2009 were discovered by the Authority during the current year.



In accordance with *Government Auditing Standards*, we have also issued a report dated June 20, 2012, on our consideration of the Parking Authority of the City of New Brunswick's internal control over financial reporting and 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 should be read in conjunction with this report and considered in assessing the results of the audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Parking Authority of the City of New Brunswick taken as a whole. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the State of New Jersey, Department of the Treasury, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, Office of Management and Budget, Circular 04-04-OMB*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 1 through 4 and the budgetary comparison information on page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

William Smith + Brown, PC

June 20, 2012

Parking Authority of the City of New Brunswick
Statement of Net Assets
December 31, 2010

Assets

Current assets

Cash and cash equivalents	\$ 2,338,090
Accounts receivable, net	2,438,413
Notes and loans receivable	3,400
Assets whose use is limited, current portion	70,818,364
Accrued interest receivable	<u>10,512</u>
Total current assets	75,608,779

Noncurrent assets

Noncurrent assets whose use is limited	101,423,196
Unamortized debt issue costs	4,644,591
Prepaid operating lease	2,296,332
Capital assets, net	71,925,551
Construction in progress	<u>74,984,786</u>
Total noncurrent assets	<u>255,274,456</u>

Total assets

\$ 330,883,235

Parking Authority of the City of New Brunswick
Statement of Net Assets
December 31, 2010

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 200,587
Accrued interest on notes payable	242,082
Accrued liabilities	4,095,149
Retainage payable	1,427,629
Security deposits	235,566
Bonds payable, current portion	3,230,000
Capital appreciation bond, current portion	204,152
Accrued interest on capital appreciation bonds, current portion	425,848
Bonds anticipation notes payable	44,000,000
Accrued interest on bonds	<u>1,763,649</u>
Total current liabilities	55,824,662

Long-term liabilities

Deferred revenue	488,676
Deferred rent	128,571
Bonds payable, net of current portion	260,560,785
Capital appreciation bond, net of current portion	397,771
Accrued interest on capital appreciation bonds	<u>780,681</u>
Total long-term liabilities	<u>262,356,484</u>
Total liabilities	318,181,146

Net Assets

Restricted for current debt service	6,990,350
Restricted for future debt service	7,634,804
Restricted for renewal and replacement	260,000
Invested in capital assets, net of related debt	12,474,123
Unreserved retained deficit	<u>(14,657,188)</u>
Total net assets	<u>12,702,089</u>

Total liabilities and net assets **\$ 330,883,235**

Parking Authority of the City of New Brunswick
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended December 31, 2010

Operating revenues	
Parking revenue	\$ 15,676,075
Meter operations	1,094,284
Rental revenue	869,124
Common facility	73,298
Summons surcharge	263,016
Management revenue	442,797
Event parking	242,258
Other revenue	<u>28,502</u>
Total operating revenues	18,689,354
Operating expenses	
Cost of providing services	6,014,954
Administrative and general	1,629,775
Depreciation	<u>3,095,760</u>
Total operating expenses	<u>10,740,489</u>
Operating income	7,948,865
Non-operating revenue (expense)	
Interest earned on investments	130,645
Grant revenue - non operating	2,000,000
Interest on capital appreciation bonds	(129,325)
Interest on bonds and notes	(3,938,420)
Amortization of debt fees and costs	<u>(118,891)</u>
Total non operating revenue (expenses)	<u>(2,055,991)</u>
Net income before payment in lieu of taxes	5,892,874
Direct charges	
Payment in lieu of taxes	<u>(4,000,000)</u>
Net income	1,892,874
Net assets at beginning of year, as previously reported	9,674,092
Prior period adjustments - See Note 20	<u>1,135,123</u>
Net assets at beginning of year, as restated	<u>10,809,215</u>
Net assets at end of year	<u><u>\$ 12,702,089</u></u>

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

Parking Authority of the City of New Brunswick
Statement of Cash Flows
Year Ended December 31, 2010

Cash flows from operating activities	
Cash received from services	\$ 18,262,482
Cash received from non-operating revenue	2,130,645
Cash paid to suppliers	(1,215,272)
Cash paid to employees	(2,991,421)
Cash paid for interest	(3,518,957)
Cash paid for taxes	(4,000,000)
Net cash provided by operating activities	<u>8,667,477</u>
Cash flows from investing activities	
Change in assets whose use is limited	(136,448,721)
Purchases of property and equipment	(907,460)
Increase in construction in progress	(59,976,684)
Change in security deposits	3,404
Net cash used by investing activities	<u>(197,329,461)</u>
Cash flows from capital and related financing activities	
Redemption of bond anticipation notes payable	(35,050,000)
Proceeds from issuance bond anticipation notes payable	44,000,000
Repayment of bonds payable	(3,325,224)
Proceeds from issuance of bonds payable	184,678,327
Proceeds from issuance of refunding bonds payable	7,422,663
Repayment of bonds payable - advance refunding	(7,195,000)
Repayment of capital appreciation bond	(222,332)
Payment of debt issuance costs	(1,767,915)
Net cash provided by capital and related financing activities	<u>188,540,519</u>
Net change in cash and cash equivalents	(121,465)
Cash and cash equivalents	
Beginning of year	<u>2,459,555</u>
End of year	<u>\$ 2,338,090</u>

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

Parking Authority of the City of New Brunswick
Statement of Cash Flows
Year Ended December 31, 2010

Cash flows from operating activities

Net operating income	\$ 1,892,874
Adjustments to reconcile net operating income to net cash provided by operating activities	
Depreciation	3,095,760
Amortization	118,891
Bad debt expense	164,480
Change in	
Accounts receivable	(600,187)
Notes and loans receivable	2,130
Accrued interest receivable	20,109
Prepaid operating lease	2,714
Accounts payable	(99,107)
Accrued interest on notes payable	242,082
Accrued liabilities	3,532,401
Accrued interest on bonds	483,481
Deferred revenue	(13,404)
Deferred rent	2,028
Accrued interest on capital appreciation bonds	(176,775)
Net cash provided by operating activities	<u>\$ 8,667,477</u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	<u>\$ 3,518,957</u>
Interest cost capitalized during the year	<u>\$ 1,035,741</u>

Noncash financing and investing activity

Increase in retained payable and project development	<u>\$ 1,427,629</u>
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Noncash investing activity

Reclassification between capital assets and construction in progress	<u>\$ 1,892,637</u>
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Parking Authority of the City of New Brunswick

Notes to Financial Statements

December 31, 2010

1. Summary of Significant Accounting Policies

Significant accounting policies followed by the Parking Authority of the City of New Brunswick (the "Authority") in the preparation of the accompanying financial statements are summarized below.

Nature of Business

The Parking Authority of the City of New Brunswick, New Jersey is a public body, corporate and politic, organized and existing under the provisions of New Jersey Law of 1948, New Jersey Statutes Annotated 40:11A. The Authority was created by an ordinance of the City of New Brunswick (the "City") adopted August 3, 1948 to develop, operate and maintain parking facilities within the City of New Brunswick.

Pursuant to the mandates of the "Local Authorities Fiscal Control Law" (N.J.S.A. 40AA:5-1 et seq.) the Authority is considered an independent entity, and is required to submit audited financial statements, on an annual basis, to the State of New Jersey, Division of Local Government Services, Department of Community Affairs. Although the Authority's members are appointed by the Governing Body of the City of New Brunswick, the legal form of the Authority is that it is not financially accountable to the City and no service contract with the City exists for specific services to be performed. As a result, the financial statements of the Authority are not included in those of the City of New Brunswick. The Authority has neither stockholders nor equity holders. As a public body, under existing statute, the Authority is exempt from federal, state and local taxes.

Basis of Presentation

The Authority's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles as promulgated by the Government Accounting Standards Board ("GASB"). Enterprise fund statements reflect 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.

In its accounting and financial report, the Authority follows the pronouncements of GASB. In addition, the Authority follows the pronouncements of all applicable Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions and Accounting Research Bulletins ("ARBs") of the Committee on Accounting Procedures unless they conflict with or contradict GASB pronouncements.

Budget

New Jersey Law requires that all funds have legally adopted budgets and appropriations. The Authority has a legally adopted budget. The annual budget serves as the foundation for the Authority's 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. See Schedule of Operating Revenue and Costs Funded by Operating Revenue Compared to Budget.

Description of Net Assets

The Authority maintains unrestricted and restricted funds to account for its assets, liabilities, revenues, expenses and net assets. Unrestricted net assets are used to account for the unrestricted revenue sources and expenses in connection with the Authority's operations. Restricted net assets are used to account for assets set aside for payment of debt service and capital activity.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Significant estimates include the allowance for doubtful accounts, the useful lives of capital assets and accumulated depreciation.

Parking Authority of the City of New Brunswick
Notes to Financial Statements
December 31, 2010

Assets Whose Use is Limited

Assets whose use is limited include assets held by trustees under bond indenture agreements. Investments included within assets whose use is limited are recorded at fair value. The fair value of these investments is determined by reference to quoted market prices.

Capital Assets, Net

Capital assets are stated at cost. Depreciation and amortization is provided under the straight-line method based upon the following estimated useful lives:

Description	Estimated Life (Years)
Equipment	5
Signage	5
Parking facilities and renovations	40

Major replacements and improvements of property and equipment are capitalized. Minor replacements, repairs and maintenance are charged to expense as incurred. Upon retirement or sale, the cost of the assets disposed and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is recorded in change in net assets.

Impairment of Capital Assets

In accordance with the provisions of the pronouncement related to accounting and financial reporting for impairment of capital assets, the Authority assesses capital assets for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset have both significantly and unexpectedly declined. For the year ended December 31, 2010 management has determined that there was no need to perform an impairment assessment.

Concentration of Credit Risk

At December 31, 2010, two customers accounted for 40 and 11 percent of accounts receivable and for the year ended December 31, 2010, two customers accounted for 16 and 10 percent of operating revenues.

Basis of Accounting

The Authority utilizes the accrual basis of accounting.

Income Taxes

No provisions have been made for income taxes since the Authority is a governmental entity exempt from taxes. The Authority is not required to file a tax return.

Revenue Recognition

Operating revenues

Operating revenue is recognized when services are performed. The Authority generates revenue by offering daily/hourly parking in its facilities. Patrons have the ability to purchase monthly parking at Authority garages. The Authority controls all on-street meters within the City limits. By enforcing on-street parking, the Authority receives a portion of the summons. Rental revenue is earned by leasing space within the Ferren Mall, Transit Village and Wolfson Garages. The Authority has several parking management agreements with entities in New Brunswick for which the Authority manages and operates their parking facilities for a management fee, which is recorded when earned on a monthly basis. The Authority also has a management agreement with New Jersey Transit to manage and operate its Jersey Avenue Park n' Ride. The Authority offers valet parking services for the Heldrich Hotel and Conference center in New Brunswick.

Parking Authority of the City of New Brunswick
Notes to Financial Statements
December 31, 2010

Non-operating revenues

Non-operating revenues consist of interest income on assets whose use is limited and grant revenue under a contract with the State of New Jersey. Interest income is recognized when earned. Grant revenue is recognized to the extent that expenditures have been incurred for the purpose specified by the grantor during the period.

Cash and Cash Equivalents

The Authority considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

Prepaid Operating Lease

The prepaid operating lease is amortized using the effective interest method over the term of the lease agreement which is 75 years.

Bond Discount and Premiums

Discounts and premiums on bonds are amortized over the term of the related bond using the effective interest method.

2. Cash, Cash Equivalents and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation or any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature or are redeemed within one year. Twenty-five percent of the Fund may be invested in eligible securities which mature within two years provided, however, the average maturity of all investments in the Fund shall not exceed one year. Collateralization of Fund investments is generally not required.

In addition, by regulation of the Division of Local Government Services, authorities are allowed to invest in government money market mutual funds purchased through state registered brokers/dealers and banks.

In accordance with the provisions of the Governmental Unit Deposit Protection Act of New Jersey, public depositories are required to maintain collateral for deposits of public funds that exceed insurance limits as follows: The market value of the collateral must equal five percent of the average daily balance of public funds or; if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent. All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

The Authority deposits funds within 48 hours of receipt in accordance with local statutes.

Investments (Assets whose use is limited)

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

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligations bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
5. Bonds or other obligations, having a maturity date of not more than 397 days from the date of

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- purchase, approved by the Division of Investment in the Department of the Treasury for investment by local units;
6. Local government investment pools;
 7. Deposits with the State of New Jersey Cash Management Fund established pursuant to Section 1 of P.L. 1997, c. 281 (C.52:18A-90.4); or
 8. Agreements for the repurchase of fully collateralized securities, if:
 - a. The underlying securities are permitted investments pursuant to paragraphs (1) and (3);
 - b. The custody of collateral is transferred to a third party;
 - c. The maturity of the agreement is not more than 30 days;
 - d. The underlying securities are purchased through a public depository as defined in P.L. 1970, c. 236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Investments at December 31, 2010 consist of direct obligations of the U.S. Government and certificates of deposit.

Based upon existing investment policies, the Authority is generally not exposed to interest rate risk as investments mature one year or less or are held to maturity. All current investments or underlying investments are U.S. Treasury investments or certificates of deposit, thereby mitigating credit risk, concentration of credit risk and interest rate risks nor are its deposits and investments exposed to foreign currency risks.

3. Accounts Receivable and Credit Policy

Receivables are unsecured, non-interest bearing obligations due from customers under terms requiring payment within fifteen to forty-five days. Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified on the remittance advice, payments are applied to the earliest unpaid invoices.

The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of the amount that will not be collected. Management individually reviews all accounts receivable balances that exceed 90 days from invoice date and, based on an assessment of current creditworthiness estimates the portion, if any, of the balance that will not be collected.

Accounts receivable, net consisted of the following at December 31, 2010:

Accounts receivable	\$ 2,621,660
Allowance for doubtful accounts	<u>(183,247)</u>
Accounts receivable, net	<u>\$ 2,438,413</u>

4. Assets Whose Use is Limited

In accordance with the 1999, 2002, 2003, 2004, 2006 and 2010 bond resolutions, the Authority has established the following cash and investment accounts for the deposit of proceeds from bond issuances received by the Authority:

General Account – The balance of restricted assets, if any, remaining after all the below requirements have been met.

Construction Account – Any monies received by the Authority for the cost of construction or acquisition of parking facilities.

Revenue Account – All revenue received by the Authority to be used to support budgeted operating expenses.

Bond Service Account (Current Debt Service) – An amount equal to unpaid interest due on outstanding

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bonds payable on or before immediately succeeding March 1 or September 1, in addition to principal on said dates.

Bond Reserve Account (Future Debt Service) – An amount equal to the greatest bond service requirement of any future fiscal year.

Renewal and Replacement account – An amount reasonably necessary, with respect to the facilities, for major repairs, renewals and replacements or maintenance not recurring annually.

Assets whose use is limited amounted to the following at December 31, 2010:

General account	\$ 5,957,715
Revenue account	682,133
Construction account	97,521,541
Restricted for current debt service	19,816,763
Restricted for future debt service	3,379,745
Restricted for renewal and replacement	521,910
Restricted for payoff of bond anticipation notes payable	<u>44,361,753</u>
	<u>\$ 172,241,560</u>

Fair Value Information

Professional standards related to fair value establish a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Authority has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Authority's own data.)

The following table summarizes assets which have been accounted for at fair value on a recurring basis as of December 31, 2010 along with the basis determination of fair value:

	<u>Total</u>	<u>Observable Measurement Criteria (Level Two)</u>
U.S. government obligations	\$ 140,994,560	\$ 140,994,560
Certificates of deposit	<u>31,247,000</u>	<u>31,247,000</u>
	<u>\$ 172,241,560</u>	<u>\$ 172,241,560</u>

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5. Prepaid Operating Lease

During 1993, the Authority entered into a land lease agreement with Robert Wood Johnson Property Holding Corporation ("RWJ"). The Authority leased the land to RWJ for 50 years with a 25-year renewal option at no additional rent. The terms of the lease, as amended, provided for a lump-sum payment of \$1,636,600.

During 2001, RWJ canceled the 1993 agreement and entered into a new lease agreement with the Authority. The Authority leased the land included in the 1993 lease plus additional land. The terms of the new lease provided for an additional lump-sum payment of \$746,700 for a total of \$2,383,300. The Authority is amortizing the advance payments received over the 75 years utilizing the present value method at an imputed interest rate of 6 percent.

During 2003, RWJ repaid the Authority \$55,221, reducing prepaid operating lease to a total of \$2,328,079, as part of the City of New Brunswick and its Board of Education's request to purchase at cost a portion of the property formerly leased to the Authority in order to expand the adjacent Health Sciences Technology School. The amount paid was included in the statements of financial position as a reduction of prepaid operating lease as of December 31, 2003. Prepaid operating lease amounted to \$2,296,332 at December 31, 2010.

6. Deferred Revenue

The Authority entered into a lease agreement with the County of Middlesex in December 2000 to lease 28 spaces to employees of the County of Middlesex. The lease called for total payments of \$600,000 over a thirty year period, which was paid up front. The Authority is amortizing the advance payment received over the 30 year period utilizing the present value method at an imputed interest rate of 6 percent. Deferred revenue amounted to \$488,676 at December 31, 2010.

7. Capital Assets, Net

Property and equipment consists of the following at December 31, 2010:

Land	\$ 12,266,190
Equipment	1,665,864
Parking facilities and renovations	83,868,619
Signage	39,715
Project development	<u>74,984,786</u>
	172,825,174
Accumulated depreciation	<u>(25,914,837)</u>
Capital assets, net	<u>\$ 146,910,337</u>

Depreciation expense included as a charge to operations for the year ended December 31, 2010 amounted to \$3,095,760.

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Capital additions and disposals consisted of the following:

	Beginning Balance January 1, 2010	Additions	Retirements	Reclass to/from CIP	Ending Balance December 31 2010
Asset Cost					
Land	\$ 12,266,190	\$ --	\$ --	\$ --	\$ 12,266,190
Equipment	1,367,603	298,261	--	--	1,665,864
Parking facilities and renovations	87,053,140	599,749	(1,891,633)	(1,892,637)	83,868,619
Signage	30,265	9,450	--	--	39,715
Project development	11,687,836	61,404,313	--	1,892,637	74,984,786
	112,405,034	62,311,773	(1,891,633)	--	172,825,174
Accumulated depreciation	24,710,710	3,095,760	(1,891,633)	--	25,914,837
Capital assets, net	<u>\$ 87,694,324</u>	<u>\$ 59,216,013</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 146,910,337</u>

8. Unamortized Debt Issue Costs

Unamortized debt issue costs consist of the following at December 31, 2010:

	Cost	Life	Accumulated Amortization	Unamortized Debt Issue Costs	Amortization
1985 and 1986 revenue bonds	\$ 1,010,944	32	\$ 821,392	\$ 189,552	\$ 31,583
1989 revenue bonds	2,158,946	18	1,453,025	705,921	121,085
1999 revenue bonds	213,240	30	78,188	135,052	7,108
2002 revenue bonds	186,782	25	52,080	134,702	7,411
2002 refunding bonds	125,985	20	59,356	66,629	6,245
2003 refunding bonds	1,280,612	20	475,773	804,839	64,031
2004 revenue bonds	409,986	30	86,552	323,434	13,666
2006 revenue bonds	379,602	30	54,831	324,771	12,653
2009 notes payable	--	1	--	--	46,865
2010 \$17,000,000 bond anticipation notes payable	42,500	1	21,250	21,250	21,250
2010 \$27,000,000 bond anticipation notes payable	67,500	1	33,750	33,750	33,750
2010 series A-D bonds payable	1,629,168	30	2,232	1,626,936	2,232
2010 series E bonds payable	84,482	10	347	84,135	347
2010 revenue refunding bond	197,961	19	4,341	193,620	4,341
	<u>\$ 7,787,708</u>		<u>\$ 3,143,117</u>	<u>\$ 4,644,591</u>	<u>\$ 372,567</u>

Amortization expense for each of the next five years is as follows:

Year	Amount
2011	\$ 391,964
2012	336,964
2013	336,964
2014	336,964
2015	336,964
Thereafter	2,904,771
	<u>\$ 4,644,591</u>

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9. Bond Anticipation Notes Payable

Bond anticipation notes payable consist of the following at December 31, 2010:

Bond anticipation note payable - issued August 31, 2010, interest at 2.00 percent per annum, matures March 1, 2011 (A)	\$ 27,000,000
Bond anticipation note payable - issued October 12, 2011, interest at 1.375 percent per annum, matures March 1, 2011 (A)	<u>17,000,000</u>
	44,000,000
Less: Current portion	<u>(44,000,000)</u>
Bond anticipation notes payable, net of current portion	<u>\$ --</u>

(A) The Authority paid and satisfied these bond anticipation note payables from the 2010 bond issuance on February 28, 2011 out of the series 2010 project payoff account.

The Authority paid and satisfied \$35,050,000 of bond anticipation notes payable which matured on December 15, 2010 with the proceeds from the 2010 bond issuance on December 15, 2010.

The Authority received a bond anticipation note in the amount of \$3,100,000 issued on August 31, 2010, interest at 2.00 percent per annum, which matured on December 15, 2010. The Authority paid and satisfied the bond anticipation note payable with the proceeds from the 2010 bond issuance on December 15, 2010.

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10. Bonds Payable

Bonds payable consists of the following at December 31:

Series 2002 parking revenue refunding bonds - payments of principal and interest due semi-annually on March 1 and September 1, interest ranging from 2.00 percent to 5.00 percent, due March 1, 2019 (A)	\$ 3,815,000
Series 2002 guaranteed parking revenue bonds - payments of principal and interest due semi-annually on March 1 and September 1, interest ranging from 2.00 percent to 5.00 percent, due March 1, 2032 (A)	7,545,000
Series 2003 parking revenue refunding bonds - payments of principal and interest due semi-annually on March 1 and September 1, interest ranging from 2.00 percent to 4.50 percent, due March 1, 2023 (A)	15,850,000
Series 2004 guaranteed parking revenue bonds - payments of principal and interest due semi-annually on March 1 and September 1, interest ranging from 3.00 percent to 5.00 percent, maturities ranging from September 1, 2024 to September 1, 2034 (A)	21,945,000
Series 2006 guaranteed parking revenue bonds - payments of principal and interest due semi-annually on March 1 and September 1, interest ranging from 3.625 percent to 5.00 percent, due March 1, 2036 (A)	23,115,000
Series 2010 parking revenue refunding bonds - payments of interest only due semi-annually on January 1 and July 1 at rates ranging from 2.00 to 4.125 percent through January 1, 2029; principal due annually on January 1, callable beginning January 1, 2021, due January 1, 2029 (A)	7,040,000
Series 2010 A guaranteed parking revenue bonds - payments of interest only due semi-annually on March 1 and September 1, at 5.00 percent through September 1, 2026; principal due annually on September 1 beginning September 1, 2025; \$5,930,000 term bond due September 1, 2026 (A)	<u>5,930,000</u>
Subtotal	85,240,000

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Balance carried forward from previous page	\$ 85,240,000
Series 2010 BABs guaranteed parking revenue bonds - payments of interest only due semi-annually on March 1 and September 1 at rates ranging from 8.02 to 8.32 percent; payments of principal due annually on September 1 beginning September 1, 2027; \$32,360,000 term bond due September 1, 2031 and \$84,910,000 term bond due September 1, 2039 (A)	117,270,000
Series 2010 RZEDBs guaranteed parking revenue bonds - payments of interest only due semi-annually on March 1 and September 1, interest at 8.42 percent; payments of principal due annually on September 1 beginning September 1, 2039; \$26,200,000 term bond due September 1, 2040 (A)	26,200,000
Series 2010 RZFBs guaranteed parking revenue bonds - payments of interest only due semi-annually on March 1 and September 1 at rates ranging from 4.50 percent to 5.50 percent through September 1, 2025; payments of principal due annually on September 1 beginning September 1, 2019 through September 1, 2025; due September 1, 2025 (A)	24,600,000
Series 2010E tax exempt guaranteed parking revenue bonds - payments of interest only due semi-annually on March 1 and September 1 at rates ranging from 5.00 percent to 5.25 percent; payments of principal due annually on September 1 beginning September 1 2016 through September 1, 2019; due September 1, 2019 (A)	9,000,000
	<u>262,310,000</u>
Less: Current portion	(3,230,000)
Less: Unamortized original issue discount	(720,449)
Plus: Unamortized original issue premium	<u>2,201,234</u>
Bonds payable, net of current portion	<u><u>\$ 260,560,785</u></u>

(A) Payment of principal and interest is guaranteed by the City of New Brunswick.

The series 1999 guaranteed parking revenue bonds were refunded during 2010. The proceeds from the series 2010 parking revenue refunding bonds in the amount of \$7,330,000 were used to refinance the bonds payable.

Based on the borrower rates currently available to the Authority for bonds payable with similar loan terms and coverage maturities, the fair market value of the bonds payable approximates the carrying amount.

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Debt outstanding consisted of the following at December 31, 2010:

	Beginning Balance January 1, 2010	Additions	Payments/ Amortization	Ending Balance December 31 2010	Current Portion
Revenue bonds payable	\$ 82,805,000	\$ 190,330,000	\$ (10,825,000)	\$ 262,310,000	\$ 3,230,000
Capital appreciation bonds payable	793,573	--	(217,218)	576,355	204,152
Bond anticipation notes payable	<u>35,050,000</u>	<u>47,100,000</u>	<u>(38,150,000)</u>	<u>44,000,000</u>	<u>44,000,000</u>
	118,648,573	237,430,000	(49,192,218)	306,886,355	47,434,152
Unamortized bond premiums	586,028	1,903,320	(262,546)	2,226,802	--
Unamortized bond discounts	<u>(812,002)</u>	<u>--</u>	<u>91,553</u>	<u>(720,449)</u>	<u>--</u>
Bonds outstanding	<u>\$ 118,422,599</u>	<u>\$ 239,333,320</u>	<u>\$ (49,363,211)</u>	<u>\$ 308,392,708</u>	<u>\$ 47,434,152</u>

Aggregate principal maturities and interest on bonds payable are as follows as of December 31, 2010:

Year	Principal	Interest	Amount
2011	\$ 3,230,000	\$ 16,586,763	\$ 19,816,763
2012	3,630,000	17,200,383	20,830,383
2013	3,760,000	17,068,507	20,828,507
2014	4,560,000	16,905,394	21,465,394
2015	4,745,000	16,732,605	21,477,605
2016-2020	28,340,000	80,191,681	108,531,681
2021-2025	35,735,000	72,796,975	108,531,975
2026-2030	45,290,000	62,257,320	107,547,320
2031-2035	57,995,000	44,732,126	102,727,126
2036-2040	<u>75,025,000</u>	<u>19,435,126</u>	<u>94,460,126</u>
	<u>\$ 262,310,000</u>	<u>\$ 363,906,880</u>	<u>\$ 626,216,880</u>

Discounts

Original issue discounts were realized on the 2010 bond anticipation note payable, 2009 bond anticipation note payable (see Note 9), 2006 parking revenue bonds, 2003 parking revenue bonds and the 1993 parking revenue and refunding bonds. These discounts are being amortized using the effective interest method over the life of the related debt.

	Discount	Life	Accumulated Amortization	Unamortized Discount	Amortization
1993 refunding bond	\$ 381,450	22	\$ 294,757	\$ 86,693	\$ 17,339
2002 revenue bond	107,966	30	28,791	79,175	3,599
2003 refunding bond	178,001	20	65,267	112,734	8,900
2006 refunding bond	516,445	30	74,598	441,847	17,215
2009 note payable	<u>--</u>	<u>1</u>	<u>--</u>	<u>--</u>	<u>44,500</u>
	<u>\$ 1,183,862</u>		<u>\$ 463,413</u>	<u>\$ 720,449</u>	<u>\$ 91,553</u>

Premiums

Original issue premiums were realized on the 2002 parking revenue bonds, 2004 parking revenue bonds, 2009 bond anticipation note payable, 2010 bond anticipation note payable, the 2010 series A-D bonds payable, series 2010 E bonds payable and the series 2010 refunding bonds. These premiums are being amortized using the effective interest method over the life of the related debt.

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	<u>Premium</u>	<u>Life</u>	<u>Accumulated Amortization</u>	<u>Unamortized Premium</u>	<u>Amortization</u>
2002 refunding bonds	\$ 100,601	17	\$ 47,342	\$ 53,259	\$ 5,918
2004 revenue bonds	403,060	30	85,090	317,970	13,435
2009 notes payable	--	1	--	--	164,764
2010 \$17,000,000 bond anticipation notes payable	17,850	1	8,925	8,925	8,925
2010 \$27,000,000 bond anticipation notes payable	114,480	1	57,240	57,240	57,240
2010 series A-D bonds payable	649,400	30	890	648,510	890
2010 series E bonds payable	1,028,927	10	4,228	1,024,699	4,228
2010 revenue refunding bond	92,663	19	2,032	90,631	2,032
	<u>\$ 2,406,981</u>		<u>\$ 205,747</u>	<u>\$ 2,201,234</u>	<u>\$ 257,432</u>

11. Capital Appreciation Bond Payable

Capital appreciation bond payable in the amount of \$1,024,689 were sold on July 1, 1993 as part of the Series 1993 parking revenue bonds. The interest accrued on the original amounts sold is amortized using the effective interest method over the terms of the bond. The capital appreciable bond payable had a premium on issuance which is amortized over the life of the bond utilizing the straight line method.

Capital appreciation bond payable consisted of the following at December 31:

Capital appreciation bond payable - payments of principal and interest due annually on	\$ 576,355
Plus: Unamortized original issue premium (A)	25,568
Less: Current portion	<u>(204,152)</u>
Capital appreciation bond payable, net of current portion	<u>\$ 397,771</u>

(A) A premium was realized on the sale of Capital Appreciation Bonds and is being amortized over the life of the bond, which was 23 years. The original premium was \$117,600. Accumulated amortization at December 31, 2010 amounted to \$92,032.

Future maturities of capital appreciation bond payable are as follows:

Year	Amount
2011	\$ 204,152
2012	191,873
2013	180,330
	<u>\$ 576,355</u>

12. Pension Plan

Employees who are eligible for a pension plan are enrolled in the Public Employees' Retirement System administered by the Division of Pensions, Treasury Department of the State of New Jersey. The Division annually charges authorities and other participating governmental units for their respective contributions to the plan based upon actuarial methods. A portion of the cost is contributed by the employees. The Authority's share of pension costs, which is based upon the actual billings received from the State of New Jersey amounted to \$271,072 for the year ended December 31, 2010.

The Public Employees' Retirement System was established in January, 1955 under the 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

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for such employees and vesting occurs after 8 to 10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual 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 creditable service. Pension benefits for members enrolled in the system after May 21, 2010 would be based on 1/60th of the average annual compensation for the last five years of service or any five fiscal years of membership that provide the largest benefit to the member or the member's beneficiary. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

13. Defined Contribution Retirement Program

The Defined Contribution Retirement Program ("DCRP") was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.P. 2007 and Chapter 103 P.L. 2007. The Program provides eligible members, with a minimum base salary of \$1,500 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial. If the eligible or appointed official will earn less than \$5,000 annually, the official may choose to waive participation in the DCRP for that office or position. The waiver is irrevocable.

The retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee and employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investments options provided by the Employer.

The law requires that three classes of employee enroll in the DCRP, detailed as follows:

- 1) All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may remain in the Public Employees' Retirement System ("PERS")
- 2) A Governor appointee with the advice and consent of the Legislature or who serves at the pleasure of the Governor only during the Governor's term of office.
- 3) Other employees commencing service after July 1, 2007 pursuant to an appointment by an elected official or elected governing body which include the statutory untenured chief administrative office such as the Business Administrator, County Administrator or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

During 2010, there were no officials or employees enrolled in the DCRP.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain in PERS.

Contributions made by employees for DCRP are 5.5 percent of their base wages. Member contributions are eligible to be matched by a discretionary 3 percent employer contribution. Member contributions amounted to approximately \$178,000 for the year ended December 31, 2010.

14. Payment in Lieu of Taxes ("PILOT")

The Authority has an arrangement with the City of New Brunswick whereby the Authority makes a payment in lieu of real estate taxes, calculated annually, with payments due on January 1 and July 1 of each year. For the year ended December 31, 2010, the Authority's payment in lieu of taxes was \$4,000,000.

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15. Compensated Absences

The Authority maintains up-to-date records of each employee's status relating to earned and unused sick and vacation pay. At December 31, 2010, the Authority has accrued \$95,346 for accumulated sick and vacation pay earned and unused.

16. Related Party Transactions

The Authority offers parking to employees of the City of New Brunswick in the City Hall lot. All other parking is offered against the PILOT payment.

17. Risk Management

The Authority has contracted with a private insurance carrier related to risks for losses related to auto, general liability, workmen's compensation, property damage and public official's liability. The coverage is subject to certain policy limits and deductible amounts. The coverage is designed to minimize the impact of any potential losses to the Authority for matters which may have been caused or related to the Authority or its employees.

18. Commitments and Contingencies

Construction Contract

The Authority entered into two contracts with New Brunswick Development Corporation (the "Developer") to facilitate, coordinate, and administer all development and construction activities necessary for the construction of the Jelin Street Project and the Transit Village Project. The Authority has commitments of approximately \$46,917,000 and \$93,420,000 for the Transit Village project and Jelin Street project, respectively. Total costs included in project development incurred on these contracts amounted to approximately \$36,408,000 and \$1,924,000, respectively.

Litigation

The Authority is subject to legal proceedings and claims which arise in the ordinary course of business. Management does not believe that the outcome of any of those matters will have a material adverse effect on the financial position, operating results or cash flows.

Operating Leases

Lessee

The Authority leases building space and equipment under various agreements with expirations ranging from February 2012 to June 2015. The equipment lease provides for minimum monthly rental payments of \$207 per month. The building leases provide for minimum monthly rental payments of \$17,702 and \$21,333. Rental expense for the years ended December 31, 2010 amounted to \$518,251.

Future minimum lease payments for the years ended December 31, are as follows:

Year	Amount
2011	\$ 481,533
2012	490,617
2013	373,913
2014	258,209
2015	132,253
	<u>\$ 1,736,525</u>

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Lessor

The Authority leases office space to various tenants in New Brunswick, New Jersey under various non-cancellable lease agreements which expire between June 2012 and December 2014 and various month to month leases. Rental income from these leases was \$869,124 for the year ending December 31, 2010.

Minimum annual rentals under non-cancellable lease agreements are as follows at December 31:

Year	Amount
2011	\$ 760,647
2012	538,012
2013	72,681
2014	69,516
	<u>\$ 1,440,856</u>

Concentrations of Labor Subject to Collective Bargaining Agreement

At December 31, 2010, the Company had a total of approximately 123 employees. Of this total, approximately 104 are hourly workers and 19 are salaried. Approximately 35 percent of the Company's hourly employees and none of its salaried employees are represented by a union. The existing union agreement expired December 31, 2011. A new union agreement was adopted on January 1, 2012 which expires December 31, 2015.

19. Fair Values of Financial Instruments

The Authority has a number of financial instruments, including accounts receivable, accounts payable and accrued liabilities. The Authority estimates that the fair value of these financial instruments at December 31, 2010 do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net assets due to the relatively short maturity of these instruments.

20. Prior Period Adjustments – Correction of an Error

The Authority has recorded prior period adjustments in its financial statements at January 1, 2010 for the following reasons:

- 1) Prepaid operating lease was amortized utilizing the straight line method over the life of the asset, however, the effective interest method was required. Additionally, the life of the asset was changed from 50 to 75 years. Therefore, prepaid operating lease was understated by \$1,206,951.
- 2) Deferred rent from an operating lease was not recorded, therefore, deferred rent and cost of providing services were understated by \$126,543.
- 3) The employer pension match was not recorded in the period incurred therefore, the accrued liability and pension expense was understated by \$222,215.
- 4) Deferred revenue was understated and parking revenue was overstated by \$295,413.
- 5) Accumulated depreciation was overstated by \$572,343 due to depreciation being taken on capital assets included in project development.

Net assets increased by \$1,135,123 as of January 1, 2010 as a result of the above corrections of errors.

21. Subsequent Events

The Authority has evaluated events occurring after the statement of net assets date through the date of June 20, 2012, the date that the financial statements were available to be released. Based upon this evaluation, the Authority has determined that no subsequent have occurred which required disclosure in or adjustment to the financial statements.

SUPPLEMENTARY INFORMATION

Parking Authority of the City of New Brunswick
Schedule of Operating Revenue and Costs Funded by Operating Revenue Compared to
Budget
Year Ended December 31, 2010

	<u>December 31, 2010</u>	
	<u>Budget</u>	<u>Actual</u>
<u>Revenue</u>		
Parking revenue	\$ 16,319,734	\$ 16,361,130
Meter operations	997,855	1,094,284
Rental revenue	1,145,704	869,124
Grant revenue	--	2,000,000
Common facilities	121,308	73,298
Summons surcharge	326,038	263,016
Other revenue	35,400	28,502
Interest on investments	<u>359,104</u>	<u>130,645</u>
Total anticipated revenue	19,305,143	20,819,999
<u>Appropriations</u>		
<u>Administration</u>		
Salaries and wages	595,089	633,152
Employee benefits	196,997	329,557
Other expenses	514,815	667,066
<u>Cost of providing service</u>		
Salaries and wages	2,262,348	2,383,269
Employee benefits	990,358	910,801
Other expenses	4,079,745	2,720,884
<u>Debt service</u>		
<u>Interest on bonds</u>		
Serial bonds	3,650,350	3,938,420
Capital appreciation bonds	129,325	129,325
Amortization of debt costs	268,180	118,891
Depreciation	<u>3,245,000</u>	<u>3,095,760</u>
Total cost funded by revenue	<u>15,932,207</u>	<u>14,927,125</u>
Surplus	<u>\$ 3,372,936</u>	<u>\$ 5,892,874</u> *

* Does not include payment in lieu of taxes of \$4,000,000

PILOT \$ 4,000,000

**Parking Authority of the City of New Brunswick
 Schedule of Expenditures of State Awards
 Year Ended December 31, 2010**

<u>State Grantor/Pass-Through Grantor/Program</u>	<u>Grantor's Number</u>	<u>Grant Period</u>	<u>Expenditures</u>
State Awards			
State of New Jersey*			
Department of Transportation			
State Aid Highway Projects			
New Brunswick Transit Village Parking Project	6320-480-078-6320-AKV-TACP-6010	07/01/2009 - 06/30/2023	<u>\$ 2,000,000</u>

*Assigned to the Authority by the City of New Brunswick.

See Independent Auditors' Report.
 See accompanying notes to schedule of expenditures of state awards.

Parking Authority of the City of New Brunswick
Notes to Schedule of Expenditures of State Awards
Year Ended December 31, 2010

1. General Information

The accompanying schedule of expenditures of state awards presents the activities of the state financial assistance programs of the Parking Authority of the City of New Brunswick. All financial assistance received directly from state agencies as well as financial assistance passed through other governmental agencies is included on the schedule.

2. Basis of Accounting

The accompanying schedule of expenditures of state awards is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to state funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

3. Relationship to Basic Financial Statements

State awards expenditures are reported on the statement of net assets as capital assets. The expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of expenditures of state awards due to program expenditures exceeding grant or contract budget limitations, matching or in-kind contributions or capitalization policies required under accounting principles generally accepted in the United States of America as promulgated by GASB.



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Additional Offices in New Jersey, New York,
Pennsylvania, Maryland, Colorado and Florida

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Trustees,
Parking Authority of the City of New Brunswick:

We have audited the financial statements of the Parking Authority of the City of New Brunswick (the "Authority") as of and for the year ended December 31, 2010, and have issued our report thereon dated June 20, 2012. Our report makes reference to a prior period adjustment. Our report was qualified because of inadequacies in the Authority's accounting records with respect to cash collection on parking revenue. Except as discussed in the preceding sentence, 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.

Internal Control Over Financial Reporting

Management of the Parking Authority of the City of New Brunswick is responsible for 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 10-01 through 10-04 to be material weaknesses.



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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Parking Authority of the City of New Brunswick in a separate letter dated June 20, 2012.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Parking Authority of the City of New Brunswick's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, City Council, others within the entity, and the State of New Jersey Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC".

June 20, 2012



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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the State of New Jersey Department of the Treasury OMB Circular 04-04-OMB

To the Board of Trustees,
Parking Authority of the City of New Brunswick:

Compliance

We have audited the Parking Authority of the City of New Brunswick's (the "Authority") compliance with the types of compliance requirements described in the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on the Authority's major state program for the year ended December 31, 2010. The Parking Authority of the City of New Brunswick's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major state program is the responsibility of the Parking Authority of the City of New Brunswick's management. Our responsibility is to express an opinion on the Parking Authority of the City of New Brunswick's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of New Jersey, Department of the Treasury *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, Office of Management and Budget, Circular 04-04-OMB. Those standards and Circular 04-04-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Parking Authority of the City of New Brunswick's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Parking Authority of the City of New Brunswick's compliance with those requirements.

In our opinion, the Parking Authority of the City of New Brunswick complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major state program for the year ended December 31, 2010.

Internal Control Over Compliance

Management of the Parking Authority of the City of New Brunswick is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Parking Authority of the City of New Brunswick's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on the internal control over compliance in accordance with State of New Jersey, Department of the Treasury, Office of Management and Budget Circular 04-04-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the finance committee, board of commissioners, management, others within the Authority, and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



June 20, 2012

**Parking Authority of the City of New Brunswick
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2010**

Section 1 – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified that are not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

State Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of auditors’ report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular 04-04-OMB	No

The following state program was designated as a major program:

State Grantor/Pass-Through Grantor/Program	Grantor’s Number	Expenditures
State of New Jersey Department of Transportation State Aid Highway Projects New Brunswick Transit Village Parking Project	6320-480-078-6320-AKV-TACP-6010	<u>\$ 2,000,000</u>

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	No

Section 2 – Financial Statement Findings

See accompanying pages 35-38 of the Schedule of Findings and Questioned Costs

Section 3 – State Award Findings and Questioned Costs

No matters were reported.

Section 4 – Prior Year Schedule of Findings and Questioned Costs

See accompanying schedule of prior year findings and questioned costs.

Parking Authority of the City of New Brunswick
Schedule of Findings and Questioned Costs
Year Ended December 31, 2010

Finding 10-01

Condition:

Reconciliations prepared at year end did not agree with the underlying supporting documentation which resulted in a significant number of journal entries that were recorded during the audit process.

Criteria:

Financial statement accounts need to be analyzed and reviewed on a regular basis to ensure that the financial reporting is accurate.

Cause:

During our audit, we noted that the Authority does not prepare account reconciliations on a timely basis for many general ledger accounts. The following is a list of what we noted:

- Cash
 - Bank reconciliations were not prepared or were unable to be located for certain bank accounts
 - The balance per the reconciliation did not agree to the general ledger
 - Several wire transfer disbursements were not recorded on the general ledger
- Investments
 - The ending investment balance as stipulated by Amboy bank did not agree to the general ledger
 - Investment activity for December 2010 was not recorded prior to the audit
 - Independent review of the balances was not performed
- Accounts Receivable
 - Invoices dated and revenue earned prior to 2009 were still included on the accounts receivable aging schedule when they were paid
 - Payments were not appropriately applied to the correct customer invoices
 - The accounts receivable aging schedule did not agree to the general ledger by approximately \$259,000
 - No analysis of the allowance for doubtful accounts was prepared resulting in various bad debt write offs. Additionally, invoices were being generated for customers when the service to these customers was shut off
 - Remittance advices were not kept for the months from May 2011 – June 2011
 - Security deposits were not separately tracked in the system and were previously recorded against the customer's account.
- Capital Assets
 - The Capital Asset ledger did not reconcile to the general ledger prior to the audit procedures performed
 - Depreciation, as calculated by the capital asset register, did not agree to the general ledger
 - The Authority had purchased capital assets and recorded them as project development costs and these assets were not depreciated
 - The capitalization policy was not drafted prior to the audit
 - Transit Village project costs were included in the schedule of capital assets and depreciated prior to being placed in service.
- Accounts Payable and Accrued Expenditures
 - Expenditures were not recorded at the date of service, in accordance with the accrual basis of accounting and were instead recorded when the payment was to be processed. Expenditures should be entered into accounts payable/accrued expenditures when the service is performed, or when the benefit of the service is received.
 - No reconciliation was prepared from the general ledger to the accounts payable aging/accrued expenditure schedule.
 - An independent approved vendor list was not maintained
- Long Term Debt and Bonds Payable
 - A reconciliation was not performed from the general ledger to the underlying supporting documentation at year end
 - The 2010 Series Bond issue was not recorded in the general ledger prior to the audit

**Parking Authority of the City of New Brunswick
Schedule of Findings and Questioned Costs
Year Ended December 31, 2010**

- Revenue
 - A reconciliation was not prepared during 2010 to reconcile the revenue recorded on the various garage revenue reports to the general ledger
 - The Authority's internal controls do not fully address the completeness and accuracy of revenue recognition. This is a result of the lack of or ineffective controls over accountability of parking garage tickets issued and collected as well as no controls in place to reconcile parking garage software reports to the financial statement parking revenue.

Effect:

The financial statements required numerous adjusting journal entries to properly reflect the current year's activity. Additionally, sufficient controls were not in place to ensure that revenue is properly recorded in the financial statements.

Recommendation:

We recommend the Authority strengthen month end closing procedures to ensure that revenue and expenses are being recorded on the accrual basis. The revised month end close process should include a reconciliation supporting each general ledger account which appropriately can be traced and agreed back to underlying supporting documentation. The Authority month end procedures should address the findings indicated in the comprehensive review of revenue controls and audit procedures presented by the outside consultant. Accrual basis monthly financial statements will allow management to review the Authority's operations for the month and provide a better picture of the results of operations than is available on a cash basis.

Management's Response:

- An additional staff level employee will be brought on whose responsibilities will include; prepare monthly reconciliations for all bank and investment accounts, ensure accounts are in balance with and recorded to the general ledger and that all required journal entries are prepared and entered correctly
- Payments will be applied to the invoices intended by the customer (if noted) and no longer applied to the oldest open invoice
- New fixed asset software is being purchased to improve the ability to correctly post and depreciate capital assets
- A capitalization policy was developed and implemented when the absence of one was detected
- New accounting software is to be purchased to improve the reconciliation processes of GL accounts
- Management will begin utilizing the accrual basis of accounting on a consistent basis

Finding 10-02

Condition:

The original trial balance provided did not balance to zero by approximately \$295,850,000 due to a glitch in the computer system. Additionally, we noted missing journal entries whereby 1-sided journal entries were posted during the year. The final general ledger trial balance was required to be hand generated based upon the prior year final balances plus the activity recorded in the current year. Additionally, we noted adjusting journal entries in the general ledger are not coded with a unique identifier such as a journal entry number.

Criteria:

In a properly functioning double entry bookkeeping system total debit entries to the trial balance have to equal total credit entries.

Cause:

The accounting system allowed printing of the trial balance despite the fact that total debits did not equal total credits and it was not reviewed for accuracy and reasonableness.

Effect:

The financial statements provided internally could not have presented reliable results as a result of the out of balance condition. Such inaccuracies could adversely impact management's decisions related to the operation of the Authority.

**Parking Authority of the City of New Brunswick
Schedule of Findings and Questioned Costs
Year Ended December 31, 2010**

Recommendation:

The Authority should review the general ledger trial balance each month. This review should involve a detailed analysis prepared for each account, as well as, a documented review and approval. The general ledger trial balance must balance in order for financial records to be relied upon. The Authority should consider including a unique identifying number in the journal entry description in order to segregate entries to facilitate a review in order to verify that all entries properly balance. The Authority should consider looking into more viable accounting and fixed asset software.

Management's Response:

An additional staff level employee will be brought on whose responsibilities will include; prepare monthly reconciliations for all bank and investment accounts, ensure accounts are in balance with and recorded to the general ledger and that all required journal entries are prepared and entered correctly. The Authority is currently reviewing and analyzing proposals for the replacement of the financial software.

Finding 10-03

Condition:

During our audit, we noted that the Board of Commissioners received internal financial data for their meetings however, they were only provided a profit and loss statement.

Criteria:

The Board of Commissioners should be provided with a full set of financial statements.

Cause:

The internal procedures currently do not include provision of a complete set of financial statements to the Board of Commissioners.

Effect:

The Board of Commissioners oversight is limited because they are not receiving all information necessary to accurately assess the financial condition of the Authority.

Recommendation:

We recommend that the board receive a complete set of financial statements which includes a statement of net assets. They might also want to consider reviewing detailed reports and reconciliations of significant accounts to ensure that they agree to the financial statements.

Management's Response:

Management will start utilizing the accrual basis of accounting when reporting monthly financial results. A complete set of financials will be produced and will include a balance sheet, P&L statement and a statement of net assets. These statements will be distributed to board members on a monthly basis.

Finding 10-04

Condition:

The Authority recorded a prior period adjustment resulting from the following:

- 1) Prepaid operating lease was amortized utilizing the straight line method over the life of the asset, however, the effective interest method was required. Additionally, the life of the asset was changed from 50 to 75 years. Therefore, prepaid operating lease was understated by \$1,206,951.
- 2) Deferred rent from an operating lease was not recorded, therefore, deferred rent and cost of providing services were understated by \$126,543.
- 3) The employer pension match was not recorded in the period incurred therefore, the accrued liability and pension expense was understated by \$222,215.
- 4) Deferred revenue was understated and parking revenue was overstated by \$295,413.
- 5) Accumulated depreciation was overstated by \$572,343 due to depreciation being taken on capital assets included in project development.

**Parking Authority of the City of New Brunswick
Schedule of Findings and Questioned Costs
Year Ended December 31, 2010**

Criteria:

Financial statement accounts need to be analyzed and reviewed on a regular basis to ensure that the financial reporting is accurate.

Cause:

During our audit, we noted that the Authority does not prepare account reconciliations on a timely basis for many general ledger accounts.

Effect:

Net assets were understated by approximately \$1,135,000 in prior years. These errors have been corrected through a prior period adjustment in 2010.

Recommendation:

Refer to Finding 10-01

Management's Response:

An additional staff level employee will be brought on whose responsibilities will include ensuring accounts are in balance with and recorded to the general ledger and that all required journal entries are prepared and entered correctly.

**Parking Authority of the City of New Brunswick
Schedule of Prior Year Findings and Questioned Costs
Year Ended December 31, 2010**

Finding 09-01 – Fixed Assets

Condition:

The fixed asset subsidiary ledger was not in agreement with the amount in the general ledger.

Current Year Status:

The condition was not corrected in the current year. See finding 10-01 on the Schedule of Findings and Questioned Costs.

Finding 09-02 – Accounts Payable

Condition:

The accounts payable subsidiary ledger was not in agreement with the amount in the general ledger.

Current Year Status:

The condition was not corrected in the current year. See finding 10-01 on the Schedule of Findings and Questioned Costs.

Finding 09-03 – Accounts Receivable

Condition:

The accounts receivable detail subsidiary ledger was not in agreement with the amount in the general ledger.

Current Year Status:

The condition was not corrected in the current year. See finding 10-01 on the Schedule of Findings and Questioned Costs.

Finding 09-04 – Revenue

Condition:

The Authority did not provide the auditors a schedule to reconcile the amounts recorded to several general ledger accounts with revenue collected at the various parking facilities.

Current Year Status:

The condition was not corrected in the current year. See finding 10-01 on the Schedule of Findings and Questioned Costs.

**Parking Authority of the City of New Brunswick
Roster of Officials
Year Ended December 31, 2010**

The following Officials were in office during the period under audit:

<u>Name</u>	<u>Office</u>	<u>Bond Amount</u>	<u>Term Expiration</u>
<u>Board of Commissioners</u>			
Kevin McTernan	Chairperson	None	December 31, 2010
Kevin Egan	1 st Vice Chairperson	None	December 31, 2010
Anthony Caputo	2 nd Vice Chariperson	None	December 31, 2010
Louis Garlatti, Jr.	Treasurer	\$100,000	December 31, 2012
Edwin Keefe	Secretary	None	December 31, 2011

Other Officials

Leonard T. Bier	Counsel
Mitchell Karon	Executive Director
Robert Kapp	Finance Manager

A Blanket Bond issued through the Middlesex County Municipal Joint Insurance Fund for \$1,000,000 per occurrence covers all Authority employees. In addition, a separate surety bond issued by Selective Insurance Company of America for \$100,000 covers the Authority Treasurer.

Parking Authority of the City of New Brunswick
General Comments
Year Ended December 31, 2010

An audit of the financial accounts and transactions of the Parking Authority of the City of New Brunswick for the year ended December 31, 2010 has been completed. The General Comments are herewith set forth:

Scope of Audit

The audit covered the financial transactions of the Parking Authority of the City of New Brunswick.

**Parking Authority of the City of New Brunswick
Recommendations
Year Ended December 31, 2010**

See Schedule of Findings and Questioned Costs.