

**DUNELLEN PARKING AUTHORITY  
BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2013**

***HODULIK & MORRISON, P.A.***  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
HIGHLAND PARK, N.J.

**DUNELLEN PARKING AUTHORITY  
BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY**

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the  
Dunellen Parking Authority  
Dunellen, New Jersey

**Report on Financial Statements**

We have audited the accompanying financial statements of the Dunellen Parking Authority, Dunellen, New Jersey (the "Authority") as of December 31, 2013 and 2012, and related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements as prescribed by the 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dunellen Parking Authority, Dunellen, New Jersey, as of December 31, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### Required Supplementary Information

Accounting principals generally accepted in the United States of America require that the management's discussion and analysis and budget comparison information as listed in the table of contents 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.

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Dunellen Parking Authority, Dunellen, New Jersey, the basic financial statements. Supplemental data and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The supplemental data section has not been subjected to the audit procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In Accordance with Government Auditing Standards, we have also issued our report dated June 17, 2014, on our consideration of the Dunellen Parking Authority'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 the financial reporting or on compliance. That report is an integral part of an audit performed in accordance Government Auditing Standards in considering the Dunellen Parking Authority's internal control over financial reporting and compliance.

*Hodulik & Morrison, P.A.*

HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants

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Andrew G. Hodulik  
Registered Municipal Account  
No. 406

Highland Park, New Jersey  
June 17, 2014

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

Honorable Chairman and Members of the  
Dunellen Parking Authority  
Dunellen, New Jersey

We have audited, 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 the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey the financial statements of the Dunellen Parking Authority, County of Middlesex, New Jersey, (the "Authority") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Dunellen Parking Authority's basic financial statements, and have issued our report thereon dated June 17, 2014.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the 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 matters, including matters of control deficiencies, which we reported to the Authority in the General Comments section of this report.

## **Purpose of this Report**

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

This report is intended for the information and use of the members and management of the Dunellen Parking Authority and the Division of Local Government Services and is not intended to be, and should not be, used by anyone other than these specified parties.



HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants

Highland Park, New Jersey  
June 17, 2014

REQUIRED SUPPLEMENTARY INFORMATION

**DUNELLEN PARKING AUTHORITY  
BOROUGH OF DUNELLEN  
COUNTY OF MIDDLESEX, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For Year Ended December 31, 2013  
(Unaudited)**

This section of The Dunellen Parking Authority's (the Authority) annual financial report presents the analysis of the Authority's financial performance during the year ended December 31, 2013.

**FINANCIAL HIGHLIGHTS**

Cash, cash equivalents, and investments decreased by \$26,195 (17.92%) to \$119,964 in 2013 from \$146,159 in 2012 and total assets decreased by \$46,696 (11.73%) to \$351,294 in 2013 from \$397,990 in 2012.

Net Capital Assets decreased by \$20,501 (8.14%) to \$231,330 in 2013 from \$251,831 in 2012.

Investments decreased by \$50,031 as compared to 2012 as reflective of redemptions.

Changes in net position decreased by \$49,683 (55.03%) to (\$40,596) in 2013 from (\$90,279) in 2012. This is attributed to an increase in both Operating and Non-Operating Revenues as well as a decrease in Operating Expenses.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Authority is a corporate and politic body organized under the laws of the State of New Jersey. The Comprehensive Annual Financial Report is presented in two sections: Financial Statements and Notes, Supplemental Schedules and comments. The Financial section includes Management's Discussion and Analysis and Financial Statements with notes. The Supplemental Schedules include detailed financial information along with general comments and recommendations from the Independent Auditor's Reports. The Authority adopted the Governmental Accounting Standards Board (GASB) Statement 34 for the fiscal period ended December 31, 2004.

**REQUIRED FINANCIAL STATEMENTS**

The financial statements report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities.

The **Statement of Net Position** includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

The **Statement of Revenues, Expenses and Changes in Net Position** accounts for all of the current year's revenues and expenses. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through its user fees and other charges. This statement also measures the Authority's profit and credit worthiness.

The **Statement of Cash Flows** provides information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities. This statement provides the answers to such questions as "where did the cash come from, what was the cash used for, and what was the change in the cash balance during the reporting period?"

## **FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE**

One of the most important questions asked about the Authority's finances is "Is the Authority, as a whole, better or worse off as a result of the year's activities?" The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities in a way that will help answer this question. These two statements report the net position of the Authority, and changes in them. The Authority's net position – the difference between assets and liabilities – are a measurement of the financial health or financial position.

Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, customer growth and legislative mandates also need to be considered.

The Authority's total net position decreased from last year by \$40,596 (11.14%). Tables 1 and 2, which follow focus on the Authority's net position and changes in net position during the year.

**NET POSITION**

The Authority's total net position decreased from last year by 11.14%. The analysis, which follows focuses on the Authority's net position (Table A-1) and changes in in net position (Table A-2) during the year.

**Table A-1  
Net Position**

	<b>DEC 31,</b>			<b>2013-2012</b>		<b>2012-2011</b>	
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>INCREASE(DECREASE)</b>	<b>INCREASE(DECREASE)</b>	<b>INCREASE(DECREASE)</b>	<b>INCREASE(DECREASE)</b>
				<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
Current and Other Assets	\$ 119,964	\$ 146,159	\$ 211,865	\$ (26,195)	-17.92%	\$ (65,706)	-31.01%
Capital Assets	231,330	251,831	272,332	(20,501)	-8.14%	(20,501)	-7.53%
	351,294	397,990	484,197	(46,696)	-11.73%	(86,207)	-17.80%
Other Liabilities	27,421	33,521	29,449	(6,100)	-18.20%	4,072	13.83%
Total Liabilities	27,421	33,521	29,449	(6,100)	-18.20%	4,072	13.83%
Net Position							
Net Investment in							
Capital Assets	231,330	251,831	272,332	(20,501)	-8.14%	(20,501)	-7.53%
Unrestricted	92,543	112,638	182,416	(20,095)	-17.84%	(69,778)	-38.25%
Total Net Position	\$ 323,873	\$ 364,469	\$ 454,748	\$ (40,596)	-11.14%	\$ (90,279)	-19.85%

**CHANGES IN NET POSITION**

Changes in the Authority's net position can be determined by reviewing the following condensed statement of revenues, expenses, and changes in net position for the year.

**Table A-2**  
**Statement of Revenues, Expenses, and Changes in Net Position**

	<b>DECEMBER 31,</b>			<b>2013-2012</b>		<b>2012-2011</b>	
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>INCREASE(DECREASE)</b>		<b>INCREASE(DECREASE)</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>REVENUES</b>							
Operating Revenues:							
Service Charges	\$ 272,470	\$ 230,555	\$ 181,263	\$ 41,915	18.18%	\$ 49,292	27.19%
Other							
General Revenues:							
Rental Income	32,950	27,300	40,190	5,650	20.70%	(12,890)	-32.07%
Miscellaneous	241	45	0	196	435.56%	45	
Interest Income	198	194	866	4	2.06%	(672)	-77.60%
<b>Total Revenues</b>	<b>305,859</b>	<b>258,094</b>	<b>222,319</b>	<b>47,765</b>	<b>18.51%</b>	<b>35,775</b>	<b>16.09%</b>
<b>EXPENSES</b>							
Program Expenses:							
Operating Costs	225,954	227,872	206,156	(1,918)	-0.84%	21,716	10.53%
Depreciation	20,501	20,501	20,501	0	0.00%	0	0.00%
Interlocal Services Boro of Dunellen	100,000	100,000	100,000	0	100.00%	0	0.00%
<b>Total Expenses</b>	<b>346,455</b>	<b>348,373</b>	<b>326,657</b>	<b>(1,918)</b>	<b>-0.55%</b>	<b>21,716</b>	<b>6.65%</b>
Increase(Decrease) in Net Position	<u>\$ (40,596)</u>	<u>\$ (90,279)</u>	<u>\$ (104,338)</u>	<u>\$ 49,683</u>	<u>-55.03%</u>	<u>\$ 14,059</u>	<u>-13.47%</u>

While the balance sheets show change in financial position of net position, the Statements of Revenues, Expenses, and Changes in Net Position, provide answers as to the nature and source of these changes. As can be seen in Table A-2 above, the change in net position - Increase of \$49,683 was reported for fiscal year ended December 31, 2013.

**REVENUES:**

Table A-2 shows "Total Revenues" increased by \$47,765 or 18.51% to \$305,859 for fiscal year ended December 31, 2013 up from \$258,094 for fiscal year ended December 31, 2012.

**EXPENSES:**

A further review of Table A-2 reveals that "Total Expenses" decreased by \$1,918 or 0.55% for the fiscal year ended December 31, 2013.

## BUDGETARY HIGHLIGHTS

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

The Supplementary Schedule 1 shows that, on a budgetary basis, the Authority realized a favorable variance of \$61,755 on budgeted expenses of \$334,650 for the period ended December 31, 2013. The Authority realized an favorable variance on the revenue side by \$53,059, resulting in a budgetary basis net gain of \$61,755. As shown by the reconciliation of the budgetary basis to GAAP, adjustments to the budgetary basis are required to:

- Eliminate Appropriated Retained Earnings from Revenues
- Eliminate Fixed Capital Acquired through Budgeted Capital Outlay from Expenses.
- Add Unrecorded Depreciation and Amortization Expenses.

In the event that current projected revenues lag behind budget amounts, adjustments to discretionary spending and/or rate impact analyses need to be performed. However, in order to present a true budgetary comparison, the statutory budget is amended only in instances wherein planned spending will exceed legal appropriation amounts.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At December 31, 2013 and 2012, the Authority had \$596,394 invested in a broad range of capital assets, including Parking Lots, Parking Lot Improvements, Land and Buildings, and Equipment. This amount represents no change (net of increases and decreases) over December 31, 2012. There were no additions during the year ended December 31, 2013. Capital Fixed Assets are as follows:

Parking Lots	\$ 116,880
Parking Lot Improvements	147,541
Land and buildings	160,173
Equipment	<u>171,800</u>
Total	596,394
Less: Accumulated Depreciation	<u>(365,064)</u>
<b>Total Capital Assets (Net)</b>	<b><u>\$231,330</u></b>

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Authority has adopted an operating budget for calendar year 2014.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Authority's ratepayers, creditors and bond holders 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 financial information, contact the Authority's Secretary/Treasurer at the Dunellen Parking Authority, 345 Front Street, Dunellen, NJ 08812.

FINANCIAL STATEMENTS

**DUNELLEN PARKING AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY**

**COMPARATIVE STATEMENT OF NET POSITION  
DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 119,964	\$ 96,128
Investments		50,031
	<hr/>	<hr/>
Total Current Assets	119,964	146,159
	<hr/>	<hr/>
Noncurrent Assets:		
Capital Assets:		
Parking Lots	116,880	116,880
Parking Lot Improvements	147,541	147,541
Land and Buildings	160,173	160,173
Equipment	171,800	171,800
Less: Accumulated Depreciation	(365,064)	(344,563)
	<hr/>	<hr/>
Total Noncurrent Assets	231,330	251,831
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 351,294</b>	<b>\$ 397,990</b>
	<hr/>	<hr/>
<b>LIABILITIES</b>		
Accrued Expenses	\$ 729	\$ 2,093
Accounts Payable		19,168
Deferred Revenue	22,470	9,550
Security Deposits	4,222	2,710
	<hr/>	<hr/>
	27,421	33,521
	<hr/>	<hr/>
<b>NET POSITION</b>		
Net Invested in Capital Assets	231,330	251,831
Unrestricted	92,543	112,638
	<hr/>	<hr/>
Total Net Position	\$ 323,873	\$ 364,469
	<hr/>	<hr/>
<b>Total Liabilities and Net Position</b>	<b>\$ 351,294</b>	<b>\$ 397,990</b>
	<hr/>	<hr/>

See Accompanying Notes to Financial Statements.

**DUNELLEN PARKING AUTHORITY**  
**COUNTY OF MIDDLESEX, NEW JERSEY**

**STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET ASSETS  
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<u>Operating Revenues</u>		
Charges for Services	\$ <u>272,470</u>	\$ <u>230,555</u>
Total Operating Revenues	<u>272,470</u>	<u>230,555</u>
<u>Operating Expenses</u>		
Personal Services	109,381	106,571
Employee Benefits/Taxes	31,880	34,741
Professional Services	13,940	16,146
Utilities & Telephone	15,668	14,029
Supplies and Materials	2,880	10,741
Repairs and Maintenance	19,303	16,914
Insurance	12,134	11,749
Land Rental	1,520	600
Training and Education	2,444	
Interlocal Services Agreement		
Borough of Dunellen	100,000	100,000
Donations & Community Support	5,000	3,500
Other	9,149	2,336
Capital Outlay	2,655	10,546
Depreciation	<u>20,501</u>	<u>20,501</u>
Total Operating Expenses	<u>346,455</u>	<u>348,373</u>
Operating Income	<u>(73,985)</u>	<u>(117,818)</u>
<u>Non-Operating Revenues (Expenses)</u>		
Interest and Dividend Income	198	194
Rental Income	32,950	27,300
Miscellaneous	<u>241</u>	<u>45</u>
Net Non-Operating Revenues (Expenses)	<u>33,389</u>	<u>27,539</u>
Income (Loss) Before Contributions and Transfers	<u>(40,596)</u>	<u>(90,279)</u>
Changes in Net Asssets	<u>(40,596)</u>	<u>(90,279)</u>
Total Net Assets - Beginning	<u>364,469</u>	<u>454,748</u>
Total Net Assets - Ending	<u>\$ <u>323,873</u></u>	<u>\$ <u>364,469</u></u>

See Accompanying Notes to Financial Statements.

**DUNELLEN PARKING AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY**

**COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE CALENDAR YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 285,390	\$ 229,815
Cash Payments to Suppliers for Goods and Serv.	(135,741)	(114,633)
Cash Paid Interlocal Services Agreement	(100,000)	(100,000)
Cash Payments to Employees for Services	<u>(110,745)</u>	<u>(106,927)</u>
Net Cash Provided (Used) by Operating Activities	<u>(61,096)</u>	<u>(91,745)</u>
Cash Flows from Non-Capital Financing Activities:		
Security Deposits (Net)	1,512	(1,500)
Other Non-Operating Income	<u>33,191</u>	<u>27,345</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>34,703</u>	<u>25,845</u>
Cash Flows from Investing Activities:		
Purchase/Redemption of Investments (Net)	50,031	99,969
Interest on Investments and Deposits	<u>198</u>	<u>194</u>
Net Cash Provided (Used) by Investing Activities	<u>50,229</u>	<u>100,163</u>
Net Increase (Decrease) in Cash and Cash Equiv.	23,836	34,263
Balances - Beginning of the Year	<u>96,128</u>	<u>61,865</u>
<b>Balances - End of the Year</b>	<b>\$ <u>119,964</u></b>	<b>\$ <u>96,128</u></b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ (73,985)	\$ (117,818)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Income:		
Depreciation	20,501	20,501
Change in Assets and Liabilities:		
Deferred Revenue	12,920	(740)
Accounts Payable	(19,168)	6,668
Accrued Expenses	<u>(1,364)</u>	<u>(356)</u>
Total Adjustments	<u>12,889</u>	<u>26,073</u>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ <u>(61,096)</u></b>	<b>\$ <u>(91,745)</u></b>

See Accompanying Notes to Financial Statements.

**DUNELLEN PARKING AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS  
CALENDAR YEAR ENDED DECEMBER 31, 2013**

**Note 1: REPORTING ENTITY AND AUTHORIZING LEGISLATION**

A. General Statement

Authorizing Legislation - The Dunellen Parking Authority (the Authority, DPA) is a public body corporate and politic body organized under the laws of the State of New Jersey and was created by ordinances adopted by the governing body, effective in October 3, 1955, the Borough of Dunellen ("the creating municipality"), a municipal corporation of the State of New Jersey located in the County of Middlesex.

The Authority was created for to provide adequate and orderly parking on behalf of the Borough.

The ordinance creating the Authority provides that the Authority shall consist of five members, each of whom shall be appointed by Mayor and governing body of the creating municipality.

New Jersey Statutes provide for the creation, dissolution and operations of separate bodies corporate and politic for the purpose of parking activities. These statutes were enacted as the "Municipal and Counties Utilities Authorities Act", and are codified in New Jersey Statutes Annotated as NJSA 40:14B-1 et seq. Additional statutory requirements relating to the financial operations of independent local authorities were established as the "Local Authorities Fiscal Control Law", which is codified as NJSA 40A:5A-1 et seq. The provisions of the Local Authorities Fiscal Control Law established the Local Finance Board and the Division of Local Government Services, in the Department of Community Affairs (DCA), State of New Jersey, as oversight agencies for the creation, project financing, budgeting and overall financial condition of local authorities.

The Authority has no stockholders or equity holders.

As a public body under existing statute, the Authority is exempt from both Federal and State taxes.

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. GASB pronouncements constitute GAAP for governmental units.

B. Financial Reporting Entity

The Authority's financial statements include the accounts of all Authority operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The Authority holds the corporate powers of the organization
- The Authority appoints a voting majority of the organization's board
- The Authority is able to impose its will on the organization

## NOTES TO FINANCIAL STATEMENTS

### Note 1: REPORTING ENTITY AND AUTHORIZING LEGISLATION (CONT'D.)

#### B. Financial Reporting Entity (Cont'd)

- The organization has the potential to impose a financial benefit/burden on the Authority
- There is fiscal dependency by the organization on the Authority

The Authority is considered to be a "Component Unit" of the Borough of Dunellen under GAAP. This determination is based on the oversight responsibility of the Borough, which manifests itself primarily in the selection of Commissioners of the Authority, and on a financial benefit/burden relationship that exists between the Authority and the Borough.

The Borough of Dunellen does not follow GAAP for accounting and financial reporting purposes. Rather, it follows a regulatory basis, utilizing accounting principles, which differ, in some cases significantly, from GAAP. Of particular note is the exclusion from the Borough's financial statements of potential component units, based on separate legal status of these units. Accordingly, the financial statements of the Borough do not include the Authority as a component unit.

Based on the aforementioned criteria, the DPA has no component units.

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of Accounting and Presentation

The financial statements of the DPA have been prepared in accordance with GAAP applicable to enterprise funds of state and local governments. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, accountability or other purposes.

The DCA has recognized the statements and interpretations of the Governmental Accounting Standards Board (GASB) as authoritative on application of accounting principles generally accepted in the United States of America (GAAP) for local authorities.

#### B. GASB Statement No. 34

The Authority adopted the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments during the fiscal year ended December 31, 2004. Statement 34 establishes standards for external financial reporting for all state and local governmental entities, which includes a Management's Discussion and Analysis section, a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position and a Statement of Cash Flows. It requires the classification of Net Position into three components – Invested in Capital Assets, net of related debt; Restricted for Debt Service; and Unrestricted.

## NOTES TO FINANCIAL STATEMENTS

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### B. GASB Statement No. 34 (Cont'd)

The adoption of Statement 34 had little effect on the basic financial statements except for the classification of net position, the reflection of capital contributions as a change in net assets, presentation of the Statement of Cash Flows using the direct method, and the inclusion of Management's Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.

#### C. Basis of Accounting

The DPA utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

#### D. Description of the Funds

The Authority maintains unrestricted and restricted funds to account for its assets, liabilities, revenues, expenses and net position.

#### E. Cash and Cash Equivalents

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

#### F. Investments

Investments consist of certificates of deposit and direct obligations of the U.S. Government, U.S. Government Agencies, repurchase agreements, and investments in money market funds and are valued at cost or amortized cost, which approximates market (See Note 3).

#### G. Capital Assets

The Parking Facilities and Equipment are stated at historical cost. Depreciation is determined using the straight-line basis, over the estimated useful lives, when placed in service.

#### H. Disclosures about Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents and short-term investments: The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term investments: The fair values of long-term investments are estimated based on quoted market prices for those or similar investments. Additional information pertinent to the value of these investments is provided in Note 3.

Long-term debt: The Authority's long-term debt is stated at face value, net of unamortized discounts and premiums. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost.

## NOTES TO FINANCIAL STATEMENTS

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### I. Comparative Data

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

#### J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### K. Recent Accounting Standards

GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities" in March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Statement No. 65 is effective for financial statements for periods beginning after December 15, 2012.

GASB issued Statement No. 66, "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62" in March 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Statement No. 66 is effective for financial statements for periods beginning after December 15, 2012.

GASB issued Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25" in June 2012. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

## NOTES TO FINANCIAL STATEMENTS

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB issued Statement No. 69, "Government Combinations and Disposals of Government Operations" in January 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees" in April 2013. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date" in November 2013. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The Authority prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The Authority is required to adopt these new standards in connection with the organization's financial statements.

### Note 3: DEPOSITS, CASH AND 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 (FDIC), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to main collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5 percent of the average daily balance of public funds; or

## NOTES TO FINANCIAL STATEMENTS

### Note 3: DEPOSITS, CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

#### Deposits (Cont'd)

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.

#### Cash and Cash Equivalents

The carrying amount of the Authority's cash and cash equivalents at year-end was \$119,964 and \$96,128, respectively. A summary of the cash and cash equivalents at December 31, 2013 and 2012 are as follows:

<u>Type</u>	<u>2013</u>	<u>2012</u>
Savings/Demand	\$119,964	\$96,128
Total	\$119,964	\$96,128

#### Credit Risk - Cash and Cash Equivalents, Investments

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The government does not have a specific deposit policy for custodial risk other than those policies that adhere to the requirements of statute. The amounts for Cash on Deposit and Investments (Certificates of Deposit) at December 31, 2013 and 2012 are not in excess of FDIC insurance coverage.

#### Investments

The Authority held investments at December 31, 2012 in the amount of \$50,031 and investment activity related to purchase and redemption during the calendar years 2013 and 2012 is reported in the Statement of Cash Flows. The Authority did not hold any investments at December 31, 2013.

#### Credit Risk - Investments

Custodial Credit Risk – Investments - Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the Government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The amount for Investments (Certificates of Deposit) at December 31, 2013 and 2012 are not in excess of FDIC insurance coverage.

**NOTES TO FINANCIAL STATEMENTS**

**Note 4: PROPERTY, PLANT AND EQUIPMENT (CAPITAL ASSETS)**

Property, plant and equipment is stated at cost which includes the cost of construction and acquisition of such projects, engineering, administrative and financial expenses, interest on bonds and notes during construction, and organization expenses, less income earned on unexpended construction funds. No interest was capitalized in 2013 and 2012.

Property, plant and equipment includes:

<u>Categories</u>	<u>2013</u>	<u>2012</u>
Parking Lots	\$116,880	\$116,880
Parking Lot Improvements	147,541	147,541
Land & Buildings	160,173	160,173
Equipment	<u>171,800</u>	<u>171,800</u>
Total	596,394	596,394
Less: Accumulated Depreciation & Amortization	<u>365,064</u>	<u>344,563</u>
Net Total	<u>\$231,330</u>	<u>\$251,831</u>

Depreciation and amortization is calculated on a straight-line basis for each of the fixed assets categories.

Buildings and Improvements	10 to 400 years
Meters	20 years
Parking Lot Improvements – Paving	10 - 15 years
Equipment	5 to 10 years

**Note 5: INTERLOCAL SERVICES AGREEMENT – BOROUGH OF DUNELLEN**

During 2013 and 2012, the Authority authorized Interlocal Service Agreements with the Borough of Dunellen, County of Middlesex in the total amount of \$100,000, respectively.

**Note 6: PENSION PLAN**

Employees of the Dunellen Parking Authority are enrolled in the Public Employees Retirement System (PERS). The Division of Pensions in the Department of the Treasury, State of New Jersey, administers the PERS plan. The plan is funded annually based on the projected benefit method with aggregate level normal cost and frozen initial unfunded accrued liability. The plan, which covers public employees throughout the State, does not maintain separate records for each reporting unit and, accordingly, the actuarial data for the employees of the Authority who are members of the plan is not available.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits issues publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

## NOTES TO FINANCIAL STATEMENTS

### Note 7: RISK MANAGEMENT

New Jersey Unemployment Compensation Insurance – The Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the Authority is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to former employees and charged to its account with the State. The Authority is billed quarterly for amounts due to the State.

### Note 8: FUND BALANCE APPROPRIATED

Of the total net position of \$323,873, the amount of \$231,330 is reported as net investment in capital assets and of the remaining unrestricted amount of \$92,543, \$35,200 has been appropriated in the CY 2014 adopted budget.

### Note 9: COMMITMENTS AND CONTINGENCIES

#### Pending Litigation

As at December 31, 2013 and the date of this report, there was no litigation pending which, in the event of an adverse or unfavorable outcome, would materially impair the financial position of the Dunellen Parking Authority.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**DUNELLEN PARKING AUTHORITY  
BOROUGH OF DUNELLEN  
COUNTY OF MIDDLESEX, NEW JERSEY**

**SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET  
AND ACTUAL REVENUES FOR THE PRIOR YEAR  
(BUDGETARY BASIS)  
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2013**

	<u>2013 BUDGET</u>	<u>2013 ACTUAL</u>	<u>2012 ACTUAL</u>
Revenues:			
Unreserved Retained Earnings	\$ 81,850	\$ 81,850	\$ 99,500
Service Charges	252,600	272,470	230,555
Other Miscellaneous Revenues		33,191	27,345
Interest Income	<u>200</u>	<u>198</u>	<u>194</u>
<b>TOTAL REVENUES - BUDGETARY</b>	<b>\$ <u>334,650</u></b>	<b>\$ <u>387,709</u></b>	<b>\$ <u>357,594</u></b>
Expenses:			
Operating:			
Salaries and Wages	\$ 117,900	\$ 109,381	\$ 106,571
Fringe Benefits	37,900	31,880	34,741
Other Expenses	78,850	82,038	76,014
Interlocal Services Boro of Dunellen	100,000	100,000	100,000
Capital:			
Capital Outlay		<u>2,655</u>	<u>10,546</u>
<b>TOTAL EXPENSES - BUDGETARY</b>	<b>\$ <u>334,650</u></b>	<b>\$ <u>325,954</u></b>	<b>\$ <u>327,872</u></b>
<b>Budgetary Revenues over Expenses</b>	<b>\$ <u>          </u></b>	<b>\$ <u>61,755</u></b>	<b>\$ <u>29,722</u></b>
Reconciliation of Budgetary Basis to Net Income:			
Budgetary Revenues over Expenses Brought Forward		\$ 61,755	\$ 29,722
Adjustments to Budgetary Basis:			
Less: Unbudgeted Depreciation Expense		(20,501)	(20,501)
Less: Appropriations of Retained Earnings		<u>(81,850)</u>	<u>(99,500)</u>
Total Adjustments - Net		<u>(102,351)</u>	<u>(120,001)</u>
<b>Net Income (Loss)</b>		<b>\$ <u>(40,596)</u></b>	<b>\$ <u>(90,279)</u></b>

SUPPLEMENTAL SCHEDULES AND DATA



**DUNELLEN PARKING AUTHORITY  
BOROUGH OF DUNELLEN  
COUNTY OF MIDDLESEX, NEW JERSEY**

**GENERAL COMMENTS AND RECOMMENDATIONS  
CALENDAR YEAR ENDED DECEMBER 31, 2013**

**GENERAL COMMENTS**

An audit of the financial accounts and transactions of the Dunellen Parking Authority, County of Middlesex, New Jersey, for the initial period ended December 31, 2013, has been completed. The General Comments are herewith set forth:

**Scope of Audit**

The audit covered the financial transactions of the Finance Department of the Dunellen Parking Authority, County of Middlesex, and New Jersey.

The audit did not and could not determine the character of services rendered for which payment had been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the Governing Body. Cash on hand was counted and cash and investment balances were reconciled with independent certifications obtained directly from the depositories. Revenues and receipts were established and verified as to source and amount insofar as the records permitted.

**INTERNAL CONTROL MATTERS**

In planning and performing our audit of the financial statements of Dunellen Parking Authority, County of Middlesex, New Jersey as of and for the fiscal year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

## GENERAL COMMENTS

### INTERNAL CONTROL MATTERS (Cont'd)

With respect to the reporting of internal control matters, Statement on Auditing Standards No. 115 requires that only significant deficiencies and material weaknesses need be reported in writing to management and those charged with governance.

The deficiencies reported are not considered to be significant deficiencies nor material weaknesses. In addition, these control deficiencies are not required to be reported in writing, however, these control deficiencies are presented to management and those charged with governance in this report as a means to present those matters identified in review of the Authority's internal controls and as a means to inform management and those charged with governance as to the auditing standards requirements with respect to internal controls.

#### Internal Control Over Financial Reporting

##### Deficiency in Internal Control – Segregation of Duties

Conditions exist whereby the same person may maintain the bookkeeping (receipts & disbursements) and cash management functions of the Authority.

This condition is the result of multiple tasks performed by the same individual engaged by the Agency.

##### *Auditee Response: Procedures Implemented*

*Deposit reports prepared by the Supervisor are reviewed and proved by the Treasurer. Bill lists prepared by the Treasurer are approved at each Authority meeting, and Management reports of Receipts and Disbursements proving to reported monthly and year to date totals are presented to the Board of Commissioners at each meeting. The Authority Treasurer prepares bank reconciliations and all checks written with the exception of Payroll require two signatures.*

##### Documentation of Components of Internal Control

As required by Statement on Auditing Standards No. 115, entities subject to audit are required to provide documentation of the various components of its internal controls.

The Authority should continue to document the various components of its internal controls.

##### *Auditee Response: Procedures Implemented*

*By virtue of these and other documents prepared by Authority personnel, documentation of standard procedures as well as the various components of internal controls has begun.*

## **GENERAL COMMENTS**

### **OTHER MATTERS**

#### **Internal Control Documentation**

The Authority should continue the process of documenting its internal controls. This course of action will serve the purpose of meeting certain requirements as set forth by the Statement on Auditing Standards 115. We suggest the Authority continue this process and also consider utilizing the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for its documentation, which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. In addition, we suggest the documentation should also include the internal controls that exist over grant compliance.

**RECOMMENDATION(S)**

None.

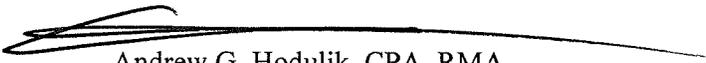
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**ACKNOWLEDGMENT**

During the course of our engagement we received the complete cooperation of the various officials and employees of the Authority, and the courtesies extended to us were greatly appreciated.

Very truly yours,

HODULIK & MORRISON, P.A.



Andrew G. Hodulik, CPA, RMA  
No. 406