

**PARKING AUTHORITY OF THE CITY OF EAST ORANGE**  
**REPORT OF AUDIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

# PARKING AUTHORITY OF THE CITY OF EAST ORANGE

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## INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Authority Commissioners  
Parking Authority of the City of East Orange  
60 Evergreen Place, Suite 503  
East Orange, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Parking Authority of the City of East Orange, New Jersey as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Parking 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Parking Authority of the City of East Orange as of December 31, 2016, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

In accordance with accounting principles generally accepted in the United States of America, management's discussion and analysis and schedules of pension liabilities, are 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 RSI 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 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 East Orange Parking Authority's basic financial statements as a whole. The supplementary 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. 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 supplementary schedules listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

HOLLAND & COMPANY, CPA'S



Cedar Grove, New Jersey

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **PARKING AUTHORITY OF THE CITY OF EAST ORANGE**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2016**

Our discussion and analysis of the Parking Authority of the City of East Orange's financial performance provides an overview of the Parking Authority of the City of East Orange's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the transmittal letter on page 1 and the East Orange Parking Authority's financial statements, which begins on page 4

### **Financial Highlights**

- East Orange Parking Authority's net position increase as a result of the year's operations. Net position was \$1,067,053; an increase of \$102,862 (or nearly 10%).
- East Orange Parking Authority's revenues increased to \$493,204 (or nearly 97%) while expenses increased to \$390,404 (or nearly 57%).

### **Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, along with Statement of Cash Flows (on pages 4, 5, and 6) provide information about the activities of East Orange Parking Authority as a whole and present longer-term view of East Orange Parking Authority's finances. Financial statements start on page 4. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for futures spending.

### **Reporting East Orange Parking Authority's Most Significant Fund**

Our analysis of the East Orange Parking Authority major fund begins on page 4. The East Orange Parking Authority has one kind of fund.

*Proprietary funds*—The East Orange Parking Authority's generates its revenue from monthly rental income on parking lots, parking meter income and parking permits—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows.

**BASIC FINANCIAL STATEMENTS**

# Parking Authority of the City of East Orange

## Statement of Net Position

December 31, 2016

### ASSETS

Current Assets		
Cash and Cash Equivalents	\$ 215,519	
Accounts Receivable	<u>48,166</u>	
Total Current Assets		\$ 263,686
Noncurrent Assets		
Improvements and Construction Costs	904,464	
Automobiles	48,205	
Equipment	12,758	
New Meters	49,521	
Security Deposit	2,500	
Pay Stations	<u>15,938</u>	
Total Noncurrent Assets		1,033,386
Deferred Outflows of Resources		
Pension deferrals		<u>76,776</u>
Total Assets and deferred outflow of resources		<u><u>\$ 1,373,847</u></u>

### LIABILITIES AND NET POSITION

Current Liabilities		
Payroll Taxes Payable	\$ 3,156	
Employee Benefits Payable	8,260	
Wages Payable	-	
Insurance Settlement	19,764	
Non-Current Liabilities		
Net pension liability	<u>275,373</u>	
Total Current and Non-Current Liabilities		\$ 306,553
Deferred Inflow of Resources		
Pension deferrals		241
Net Position		
Contributed Capital	952,803	
Unrestricted	<u>114,250</u>	
Total Net Position		<u>1,067,053</u>
Total Liabilities and Net Position		<u><u>\$ 1,373,847</u></u>



**Parking Authority of the City of East Orange**  
 Statement of Revenues, Expenses, and Changes in Net Position  
 Proprietary Fund Type  
 Year Ended December 31, 2016

<b>OPERATING REVENUES</b>		
Parking Meters	\$ 90,580	
Pay Stations	646	
Permits	111,203	
Space Rental	116,539	
Ticket Revenue	70,350	
Street Parking	<u>103,886</u>	
<b>TOTAL OPERATING REVENUES</b>		<b>\$ 493,204</b>
<b>OPERATING EXPENSES</b>		
Salaries and Wages	48,193	
Administrator Salary	93,459	
Field Expenses	79,523	
Administration Expenses	<u>169,229</u>	
<b>TOTAL OPERATING EXPENSES</b>		<u><b>390,404</b></u>
<b>NET OPERATING INCOME</b>		<b>102,800</b>
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Interest Income	<u>62</u>	
<b>TOTAL NONOPERATING REVENUE (EXPENSE)</b>		<u><b>62</b></u>
<b>CHANGE IN NET POSITION</b>		<b>102,862</b>
<b>NET POSITION- BEGINNING OF YEAR</b>		<u><b>964,191</b></u>
<b>NET POSITION - END OF YEAR</b>		<u><u><b>\$ 1,067,053</b></u></u>

# Parking Authority of the City of East Orange

Statement of Cash Flows  
Proprietary Fund Type  
Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	\$ 106,402
Change in Accounts Receivable	(43,218)
Change in Total Employee Benefits Payable	(8,260)
Change in Total Wages Payable	(836)
Change in Current Liabilities	7,466
Change in Total Payroll Taxes Payable	3,156
Total Adjustments	<u>(41,692)</u>
NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES	64,710
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-
CASH FLOW FROM INVESTING ACTIVITIES	62
NET CASH PROVIDED(USED) BY INVESTING ACTIVITIES	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	64,772
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>150,747</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 215,519</u>

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**PARKING AUTHORITY OF THE CITY OF EAST ORANGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

**NOTE 1 General Statement**

The Parking Authority of the City of East Orange is a public body politic and corporate organized and existing under an act of the New Jersey Legislature N.J.S. 40:11A-1, et seq. It was created by virtue of "Ordinance #14-70, creating the Parking Authority of the City of East Orange" adopted by the Council of the City of East Orange on March 10, 1970. The Parking Authority was organized under date of May 25, 1970, and consists of five members appointed by the City Council of the City of East Orange.

The Parking Authority was created to develop, operate and maintain parking facilities within the City of East Orange. As a public body, under existing statute, the parking Authority is exempt from federal, state and local taxes.

**NOTE 2 Summary of Significant Accounting Policies**

*Basis of Accounting* - Revenue is generally realized on the cash basis while expenditures are accrued. Accounting policies, in general, conform to the applicable accounting principles as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

*Collection of Revenue* - Parking meter collections from on street meters and parking lots are collected brought to the depository to be counted and deposited into the Parking Authority's account by the Parking Authority of the City of East Orange. Parking permit fees are collected by the City of East Orange and deposited to the Parking Authority's account. Parking lot space rental fees are collected by the Parking Authority of the City of East Orange and deposited to the Parking Authority's account. An agreement is also in place with the City of East Orange in which the Authority receives revenue for every ticket fee paid to the City.

*Inventories* - Materials and supplies are expensed as purchased and are neither inventoried nor included on the balance sheet.

*Depreciation* - Depreciation is not recorded as an operating expense of the Parking Authority.

*Pension Plans and Benefits* - Employees who are eligible for a pension plan and benefits 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. These provisions are not available for part-time employees. Authority employees are also covered by the Federal Insurance Contribution Act.

**NOTE 3 Deposits and Investments**

**Deposits**

The Authority's deposits are insured through the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Authority is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

### **NOTE 3 Deposits and Investments (Continued)**

#### **Deposits (Continued)**

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk.

As of December 31, 2016, none of the Authority's bank balances were exposed to custodial credit risk since all deposits were considered insured by FDIC or GUDPA.

#### **Investments**

New Jersey statutes allow the following securities to be purchased by the Authority:

- a. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as treasury bills, notes, and bonds.
- b. Government Money Market Mutual Funds.
- c. Any federal agency or instrumentality obligation authorized by Congress and matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- d. Bonds or other obligations of the local unit or school districts of which the local unit is a part.
- e. Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments
- f. Local government investment pools, such as New Jersey CLASS; and the New Jersey Arbitrage Rebate Management Program.
- g. New Jersey State Cash Management Fund.
- h. Repurchase agreements of fully collateralized securities, subject to certain conditions.

The Authority had no outstanding investments as of December 31, 2016.

### **NOTE 4 Employee Retirement System**

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement system ("retirement system") covering those Authority employees who are eligible for pension coverage.

**Public Employees' Retirement System (PERS)** – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage.

The cost of living increase for PERS is funded directly by the system but is currently suspended as a result of reform legislation.

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

#### **NOTE 4 Employee Retirement System (Continued)**

The Public Employee Retirement System (PERS) is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB No. 68, The Plan is administered by the New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

*Plan Membership and Contributing Employers-* Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state administered retirement system or other pension fund or other jurisdiction's pension fund.

*Significant Legislation –* For State of New Jersey contributions to PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ending June 30, 2012. For State fiscal year 2014, the State was required to make a minimum contribution representing 3/7<sup>th</sup> of the actuarially determined contribution amount based on the July 1, 2012 actuarial valuation.

Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

*Specific Contribution Requirements and benefit provisions –* The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.92% in State fiscal year 2015 and increased to 7.20% for State fiscal year 2016, commencing July 1, 2016. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent State fiscal year. Employers' contribution amounts are based on an actuarially determined rate.

The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Authority's cash basis contributions to the Plan for the years ended December 31, 2016 was \$7,842.00. Authority contributions are due and payable on April 1<sup>st</sup> in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

The Authority recognizes liabilities to PERS and records expenditures for same in the fiscal period that bills become due.

The vesting and benefit provisions are set by N.J.S.A. 43:15. PERS provides retirement death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

**NOTE 4 Employee Retirement System (Continued)**

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 8, 2008
3	Members who were eligible on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

A service retirement benefit of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, to tier 3 and 4 members before age 62 and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* – The regulatory basis of accounting which is basis for the preparation of the Authority’s basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Authority does not recognize pension liabilities for any current or prior period until the fiscal year period in which such payments will become due and payable.

At June 30, 2016, the PERS reported a net pension liability of \$29,617,131,759 for its Non-State Employer Member Group. The Authority’s proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Authority was \$275,373 or 0.0000093%. At June 30, 2015, the PERS reported a net pension liability of \$22,447,996,119 for its Non-State Employer Member Group.

For the year ended December 31, 2016, the Authority recognized PERS expense of \$27,182. At December 31, 2016 the Authority would have reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources, if GASB #68 was recognized:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expended and actual experience	\$5,121	
Changes in assumptions	\$57,043	
Net difference between projected and actual earnings on pension plan investments	\$10,500	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	\$4,112	\$241

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

**NOTE 4 Employee Retirement System (Continued)**

<b>Year ended December 31,</b>	<b>Amount</b>
2017	\$15,140
2018	\$15,140
2019	\$15,140
2020	\$15,140
2021	\$15,140

*Actuarial Assumptions* – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.08%
Salary Increases (2012-2021)	1.65-4.15% Based on age
Thereafter	2.65-5.15% Based on age
Investment rate of return	7.65%

Mortality rates were based on the RP-2000 Combined Table for Males or Females, as appropriate with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset class allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Cash	0.87%
Core Bonds	1.74%
Intermediate-Term Bonds	1.79%
Mortgages	1.67%
High Yield Bonds	4.56%
Inflation-Indexed Bonds	3.44%
Broad US Equities	8.53%
Developed Foreign Equities	6.83%
Emerging Market Equities	9.95%
Private Equity	12.40%
Hedge Funds/Absolute Return	4.68%
Real Estate (Property)	6.91%
Commodities	5.45%
Global Debt	-0.25%
REIT	5.63%

*Discount Rate* – The discount rate used to measure the pension liabilities of PERS was 3.98%

*Sensitivity of Net Pension Liability* – the following presents the net pension liability of PERS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:



**NOTE 4 Employee Retirement System (Continued)**

	At 1% Decrease	At current discount rate	At 1% increase
PERS	\$70,715,189,252	\$59,007,817,464	\$49,352,744,647
Authority's Proportionate Share	\$308,418	\$275,373	\$230,315

*Plan Fiduciary Net Position* – The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2016 was \$26,762,070,610. Information regarding the portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group was not available.

**NOTE 5 Defined Contribution Retirement Program**Description of System

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 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 elected 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.

This 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 investment options provided by the employer.

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

- 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)
- A Governor appointee with the advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office
- Other employees commencing service after July 1, 2007, pursuant to an appointment by an elected official or elected government body with include the statutory untenured chief administrative officer 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.

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

Contributions Required and Made

Contributions made by employees for DCRP are currently at 5.5% of their base wages. Member contributions are matched by a 3.0% employer contribution. The Authority currently does not have any employees enrolled in the plan.

**NOTE 6 Contingencies**

*Litigation* – The Authority is involved in certain legal proceedings from time to time, the resolution and impact on the financial statements of which, individually or in the aggregate, in the opinion of management as advised by legal counsel, would not be significant to the accompanying financial statements.

**NOTE 7 Risk Management**

The Authority has chosen traditional insurance coverage and contracted with private insurance carriers for risk of loss related to general liability, workmen's compensation, property damage and public officials' 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

**NOTE 8 Interlocal Service Agreement**

The Authority entered into a Memorandum of Understanding (MOU) with the City of East Orange on July 15, 2015. The agreement stated that the City agrees to pay fine sharing in the amount of \$10.00 per paid ticket written by EOPA officers to the Authority every month.

**NOTE 9 Subsequent Events**

The Authority has evaluated subsequent events occurring after the balance sheet date through April 12, 2017 which is the date the financial statements were available to be issued. Based on this evaluation, the Authority has determined that no subsequent events have occurred which require disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Parking Authority of the City of East Orange**  
 Required Supplementary Information  
 Schedule of the Authority's Proportionate Share of the Net Pension Liability  
 Year Ended December 31, 2016

	2016
Authority's proportionate share of the net pension liability	<u><u>0.0000093%</u></u>
Authority's proportionate share of the net pension liability	<u><u>\$ 275,373</u></u>
Authority's covered-employee payroll	<u><u>\$ 72,500</u></u>
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u><u>379.82%</u></u>
Plan fiduciary net position as a percentage of the total pension liability	<u><u>31.20%</u></u>

Note - The amounts presented for each fiscal year were determined as of the June 30 measurement date within the prior fiscal year.

Parking Authority of the City of East Orange  
Required Supplementary Information  
Schedule of Contributions  
Year Ended December 31, 2016

	<u>2016</u>
Contractually required contribution	<u>\$ 8,260</u>
Contributions in relation to the contractually required contribution	<u>\$ (8,260)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Authority's covered-employee payroll	<u>\$ 72,500</u>
Contributions as a percentage of covered employee payroll	<u>11.39%</u>

**Parking Authority of the City of East Orange**  
 Statement of Revenues, Expenses, and Changes in Net Position  
 Budget vs. Actual  
 Year Ended December 31, 2016

	2016 <u>Budget</u>	2016 <u>Actual</u>
<b>OPERATING REVENUES</b>		
Parking Meters	\$ 76,491	\$ 90,580
Permits	77,134	111,203
Fines/Penalties		-
Space Rental	94,426	116,539
Towing		-
Interest Income	37	62
Street Parking	53,220	103,886
Ticket Revenue	52,250	70,350
Pay Stations		646
	<u>                    </u>	<u>                    </u>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 353,558</b>	<b>\$ 493,266</b>
<b>OPERATING EXPENSES</b>		
Salaries and Wages	57,398	48,193
Administrator	40,000	93,459
Field Expenses	20,944	79,523
Administration Expenses	224,006	179,729
	<u>                    </u>	<u>                    </u>
<b>TOTAL OPERATING EXPENSES</b>	<b>342,348</b>	<b>400,904</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>11,210</b>	<b>92,362</b>
<b>OTHER FINANCING SOURCES</b>		
	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u><u>\$ -</u></u>	<u><u>\$ 92,362</u></u>

**OTHER SUPPLEMENTARY INFORMATION**

**PARKING AUTHORITY OF THE CITY OF EAST ORANGE**

PAYROLL COSTS BY DEPARTMENT for YEAR 2016:

Administration - \$ 93,459.00

Maintenance - \$ 6,476.00

P.E.O.  
(officer's) - \$ 41,717.00

IMPROVEMENTS AND CONSTRUCTION COSTS for YEAR 2016:

New meters/pay stations - \$ 15,740.00



**GOVERNMENT AUDITING STANDARDS**

# HOLLAND & COMPANY

*Certified Public Accountants*

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CEDAR GROVE, NEW JERSEY 07009

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## 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

### INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Authority Commissioners  
Parking Authority of the City of East Orange  
60 Evergreen Place, Suite 503  
East Orange, New Jersey

We have audited, in accordance with the 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, the financial statements of the East Orange Parking Authority, as of and for the year ended December 31, 2016, and the related notes to the financial statements, as listed in the table of contents, which collectively comprise the East Orange Authority's basic financial statements, and have issued our report thereon dated April 19, 2017.

#### **Internal Control over Financial Reporting**

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 from 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 also noted certain other matters that we have reported to management of the Authority in the Section of our report of audit entitled "General Comments and Recommendations".

### **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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOLLAND & COMPANY, CPA'S



Cedar Grove, New Jersey

**ROSTER OF OFFICIALS AND  
GENERAL COMMENTS AND RECOMMENDATIONS**

**PARKING AUTHORITY OF THE CITY OF EAST ORANGE**

**ROSTER OF OFFICIALS**

**AS OF DECEMBER 31, 2016**

BOARD OF COMMISSIONERS

Mr. Clarence McKnight	Chairman
Ms. Taahira Muhammad-Dozier	Vice-Chairwoman
Mr. Michael Harris	Treasurer
Mr. Jerome Omar Robinson	Commissioner
Ms. Kandi Ceballos	Commissioner
Ms. Dana P. Owens	Commissioner

OTHER

Ms. Tasha Jackson	Operations Manager
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**PARKING AUTHORITY OF THE CITY OF EAST ORANGE  
COMMENTS AND RECOMMENDATIONS**

**Status of Prior Years' Recommendations**

1. The company should consider selling land to raise funds within the next 5 years if more revenue is not achieved.

**Status** - Revenues have increased through revenue sharing with the City of East Orange.

2. Budgeted numbers should be reviewed monthly

**Status** - The Authority has periodically reviewed their budget and identified areas of concern when required

3. The monthly meeting reports should be reconciled to Peachtree reports.

**Status** - Reports were in agreement with accounting software.

**Recommendations**

Our audit revealed that:

1. Salaries reported to the State of New Jersey on the quarterly pension reports were not always in agreement with actual employee salaries for the respective period.

It is recommended that:

1. Employee salaries reported to the State of New Jersey on the quarterly pension reports reflect actual employee salaries for the respective period.

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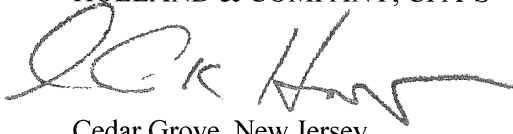
**PARKING AUTHORITY OF THE CITY OF EAST ORANGE**

**Appreciation**

We desire to express our appreciation to all the staff that assisted us during the course of the audit.

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.

HOLLAND & COMPANY, CPA'S

A handwritten signature in black ink, appearing to read "Robert K. Holland", is written over the printed name of the firm.

Cedar Grove, New Jersey