

PASSAIC PARKING AUTHORITY
(A component unit of the City of Passaic)
REPORT OF AUDIT
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

PASSAIC PARKING AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Board of Commissioners
Passaic Parking Authority
Passaic, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the Passaic Parking Authority, a component unit of the City of Passaic, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Passaic 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 Passaic Parking Authority as of June 30, 2013 and 2012, 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

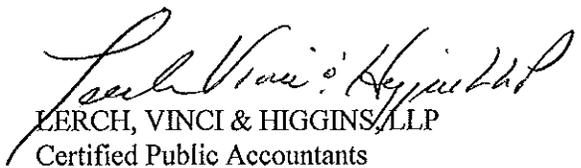
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required 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 Passaic 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. The supplementary schedules listed in the table of contents are the responsibility of management and were derived from and relate 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2014 on our consideration of the Passaic Parking Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Passaic Parking Authority's internal control over financial reporting and compliance.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Fair Lawn, New Jersey
February 12, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

PASSAIC PARKING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2013

This section of the Passaic Parking Authority's (the "Authority") annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2013. Please read it in conjunction with the Authority's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- The Authority's assets exceeded its liabilities at June 30, 2013 by \$844,066.
- The Agency's total assets increased \$70,218 (2.3%)
- Operating Revenues decreased by \$63,182 (4.9%)
- Operating Expenses increased by \$83,282 (11.4%)
- Operating Income decreased by \$146,464 (26.9%)

OVERVIEW OF FINANCIAL STATEMENTS

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Authority follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

Enterprise Fund statements offer short- and long-term financial information about the activities and operations of the Authority. These statements are presented in the (Government Accounting Standards Board "GASB") prescribed manner.

FINANCIAL ANALYSIS OF THE AGENCY

Net Position – The following table summarizes the Statement of Net Position between June 30, 2013, 2012 and 2011:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
ASSETS:			
Current and Other Assets	\$ 317,073	\$ 246,855	\$ 365,368
Capital Assets	<u>2,800,000</u>	<u>2,800,000</u>	<u>2,800,000</u>
Total Assets	<u>3,117,073</u>	<u>3,046,855</u>	<u>3,165,368</u>
LIABILITIES:			
Long-Term Liabilities	1,930,000	2,200,000	2,460,000
Other Liabilities	<u>343,007</u>	<u>285,079</u>	<u>562,065</u>
Total Liabilities	<u>2,273,007</u>	<u>2,485,079</u>	<u>3,022,065</u>
NET POSITION:			
Net Investment in Capital Assets	730,448	340,000	90,000
Unrestricted	<u>113,618</u>	<u>221,776</u>	<u>53,303</u>
Total Net Position	<u>\$ 844,066</u>	<u>\$ 561,776</u>	<u>\$ 143,303</u>

PASSAIC PARKING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2013 (Continued)

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

The Authority's Net Position increased \$282,290 or 52%. Key elements of the increase are operating revenues from parking meters and violations exceeding operating expenses.

OPERATING ACTIVITIES

The following table summarizes the changes in Net Position for the years ended June 30, 2013, 2012 and 2011:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
OPERATING REVENUES			
Parking Meters	\$ 534,026	\$ 561,102	\$ 518,629
Shared Parking Violations	<u>680,612</u>	<u>716,718</u>	<u>460,279</u>
Total Operating Revenues	<u>1,214,638</u>	<u>1,277,820</u>	<u>978,908</u>
OPERATING EXPENSES			
Administrative and Executive	47,074	46,040	41,588
Cost of Providing Services	<u>769,970</u>	<u>687,722</u>	<u>695,330</u>
Total Operating Expenses	<u>817,044</u>	<u>733,762</u>	<u>736,918</u>
OPERATING INCOME	<u>397,594</u>	<u>544,058</u>	<u>241,990</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	1,130	1,189	1,030
Interest Expense	<u>(116,434)</u>	<u>(126,774)</u>	<u>(146,790)</u>
Total Non-Operating Income (Expenses)	<u>(115,304)</u>	<u>(125,585)</u>	<u>(145,760)</u>
CHANGE IN NET POSITION	282,290	418,473	96,230
NET POSITION, BEGINNING OF YEAR	<u>561,776</u>	<u>143,303</u>	<u>47,073</u>
NET POSITION, END OF YEAR	<u>\$ 844,066</u>	<u>\$ 561,776</u>	<u>\$ 143,303</u>

PASSAIC PARKING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2013

DEBT ADMINISTRATION

Capital Debt

The Authority had the following outstanding debt as of June 30, 2013, 2012 and 2011.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Long-Term Debt			
Project Bonds Payable	<u>\$2,200,000</u>	<u>\$2,460,000</u>	<u>\$2,710,000</u>

Additional information about the Authority's capital debt can be found in Note 5 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The fiscal year 2014 budget was adopted by the Authority and approved by the Division of Local Government Services in June of 2013. Budgeted expenses remained flat at \$1,160,000 in 2014. The adopted 2014 budget will be able to provide sufficient revenues to fund operations and debt service for the year ended June 30, 2014.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the City of Passaic, New Jersey citizens with a general overview of the Authority's finances to demonstrate the Authority's accountability for the revenues it receives. If you have questions about this report or need additional financial information, contact the office of the Executive Director at 330 Passaic Street, Passaic, New Jersey 07055.

BASIC FINANCIAL STATEMENTS

PASSAIC PARKING AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF JUNE 30, 2013 AND 2012

ASSETS	<u>2013</u>	<u>2012</u> (Restated)
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 135,780	\$ 20,762
Intergovernmental Receivable	<u>50,845</u>	<u>71,349</u>
Total Unrestricted Current Assets	<u>186,625</u>	<u>92,111</u>
Restricted Current Assets		
Project Account		
Cash and Cash Equivalents	130,448	130,415
Debt Service Account		
Cash and Cash Equivalents	<u>-</u>	<u>24,329</u>
Total Restricted Current Assets	<u>130,448</u>	<u>154,744</u>
Total Current Assets	<u>317,073</u>	<u>246,855</u>
Noncurrent Assets		
Capital Assets		
Land	<u>2,800,000</u>	<u>2,800,000</u>
Total Noncurrent Assets	<u>2,800,000</u>	<u>2,800,000</u>
Total Assets	<u>\$ 3,117,073</u>	<u>\$ 3,046,855</u>

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

PASSAIC PARKING AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF JUNE 30, 2013 AND 2012

LIABILITIES	<u>2013</u>	<u>2012</u> (Restated)
Current Liabilities (Payable from Unrestricted Assets)		
Accounts Payable	\$ 7,598	\$ 9,676
Due to City of Passaic	<u>51,364</u>	<u>-</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>58,962</u>	<u>9,676</u>
Current Liabilities (Payable from Restricted Assets)		
Bonds Payable	270,000	260,000
Accrued Interest Payable	<u>14,045</u>	<u>15,403</u>
Total Current Liabilities Payable from Restricted Assets	<u>284,045</u>	<u>275,403</u>
Total Current Liabilities	<u>343,007</u>	<u>285,079</u>
Non-Current Liabilities		
Bonds Payable	<u>1,930,000</u>	<u>2,200,000</u>
Total Non-Current Liabilities	<u>1,930,000</u>	<u>2,200,000</u>
Total Liabilities	<u>2,273,007</u>	<u>2,485,079</u>
NET POSITION		
Net Investment in Capital Assets	730,448	340,000
Unrestricted	<u>113,618</u>	<u>221,776</u>
Total Net Position	<u>\$ 844,066</u>	<u>\$ 561,776</u>

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

PASSAIC PARKING AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u> (Restated)
OPERATING REVENUES		
Parking Meters	\$ 534,026	\$ 561,102
Shared Parking Violations	<u>680,612</u>	<u>716,718</u>
Total Operating Revenues	<u>1,214,638</u>	<u>1,277,820</u>
OPERATING EXPENSES		
Administrative and Executive	47,074	46,040
Cost of Providing Services	<u>769,970</u>	<u>687,722</u>
Total Operating Expenses	<u>817,044</u>	<u>733,762</u>
Operating Income	<u>397,594</u>	<u>544,058</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	1,130	1,189
Interest Expenses	<u>(116,434)</u>	<u>(126,774)</u>
Total Non-Operating Income (Expenses)	<u>(115,304)</u>	<u>(125,585)</u>
CHANGE IN NET POSITION	282,290	418,473
Total Net Position, Beginning of Year	<u>561,776</u>	<u>143,303</u>
Total Net Position, End of Year	<u>\$ 844,066</u>	<u>\$ 561,776</u>

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

PASSAIC PARKING AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Parking Meters and Parking Violations	\$ 1,235,142	\$ 1,252,630
Cash Paid to City of Passaic	(686,109)	(935,073)
Cash Paid to Suppliers	(51,654)	(54,246)
Cash Paid to Employees	<u>(29,995)</u>	<u>(29,752)</u>
Net Cash Provided by Operating Activities	<u>467,384</u>	<u>233,559</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Bonds	(260,000)	(250,000)
Interest Paid on Bonds	<u>(117,792)</u>	<u>(128,451)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(377,792)</u>	<u>(378,451)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>1,130</u>	<u>1,189</u>
Net Cash Provided by Investing Activities	<u>1,130</u>	<u>1,189</u>
Net Increase (Decrease) in Cash and Cash Equivalents	90,722	(143,703)
Cash and Cash Equivalents, Beginning of Year	<u>175,506</u>	<u>319,209</u>
Cash and Cash Equivalents, End of Year	<u>\$ 266,228</u>	<u>\$ 175,506</u>
Analysis of Balance at June 30,		
Unrestricted	\$ 135,780	\$ 20,762
Restricted	<u>130,448</u>	<u>154,744</u>
	<u>\$ 266,228</u>	<u>\$ 175,506</u>

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

**PASSAIC PARKING AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 397,594	\$ 544,058
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
(Increase)/Decrease in Intergovernmental Receivable	20,504	(25,190)
Increase/(Decrease) in Due to City of Passaic	51,364	(282,073)
Increase/(Decrease) in Accounts Payable	<u>(2,078)</u>	<u>(3,236)</u>
Total Adjustments	<u>69,790</u>	<u>(310,499)</u>
Net Cash Provided by Operating Activities	<u>\$ 467,384</u>	<u>\$ 233,559</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

**PASSAIC PARKING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity and Activities

The Parking Authority of the City of Passaic (the "Authority") is a public body corporate and politic of the State of New Jersey. The Authority was created by a municipal ordinance adopted on November 9, 2006 by the City of Passaic (the "City") pursuant to the provisions of the Parking Authorities Law (the "Act") (N.J.S.A. 40:11A-1 et. seq.)

The City created the Authority for the principal purpose to provide a means of addressing the current and future parking demands of the City including the preparation of a comprehensive and coordinated plan for the development, financing, construction, operation and/or management of parking resources and certain specific parking facilities located within the City. The Authority began actual parking operations on April 1, 2007.

The Authority is governed by a Board of Commissioners (the "Board") consisting of seven members each of whom is appointed by the City's governing body. The Commissioners, who receive no compensation, who are first appointed, shall be designated to serve terms of one, two, three, four and five years, respectively from the date of their appointment, but thereafter Commissioners shall be appointed for a term of five years. All vacancies shall be filled for the unexpired term.

The Authority has broad powers under the Act, including, among others, the following: to retain, operate, manage and administer its property; to enforce applicable ordinances, laws and regulations as to parking of vehicles in the City; to acquire, lease or otherwise hold and use parking projects and land; to provide for bonds and secure their payment and rights of holders thereof; to charge and collect fees and service charges for the use of its facilities and to revise such fees and service charges to ensure that the revenues of the Authority will at all times be adequate to pay all operating and maintenance expenses, including reserves and to pay the principal of and the interest on any bonds, notes or loans, and to maintain such reserves or sinking funds therefore as may be required by the terms of any contract of the Authority; and to make and enforce rules and regulations for the management of its business and affairs.

The Passaic Parking Authority includes in its financial statements the primary government and those component units for which the primary government is financially accountable or for which the nature and significant of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's board, and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Authority is legally entitled to or can otherwise access the organization's resources; the Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization, or the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the Authority has no component units. The Authority would be includable as a component unit of the City of Passaic on the basis of such criteria.

PASSAIC PARKING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Authority are organized on the basis of funds, in accordance with the 2007 Project Note Resolution. The accounts are accounted for with a separate set of self-balancing accounting records that comprise its assets, liabilities, net assets, revenues and expenses. Government resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various activities are grouped into one generic fund type and one broad fund category, as follows:

Proprietary Fund Types

Enterprise Fund - The Enterprise Fund is used to account for governmental operations which are financed and operated in a manner similar to private enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to its users on a continuing basis be financed or recovered primarily through user charges.

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with these operations are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow FASB guidance issued subsequent to December 1, 1989.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are parking fees and parking fines. Operating expenses include the cost of operations and services, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, Liabilities and Net Position

1. Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, cash in banks, certificates of deposit and all short-term investments with original maturities of three months or less from the date of purchase. Investments are reported at market value. See Note 3 for specific disclosures on cash and investments.

PASSAIC PARKING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Position (Continued)

2. *Inventory*

The costs of inventories are deemed immaterial and are recognized as expenses when purchased. The Authority does not record inventory on its statement of net assets.

3. *Restricted Assets*

Under the original Project Note Resolution dated April 25, 2007, the following accounts of the Construction Fund are required to be created and held by the Authority's Trustee with respect to the construction of the Project (see Note 5) described below:

- A) Project Account (Restricted)
- B) Debt Service Account (Restricted)
- C) Rebate Account (Restricted)

Each of the above accounts are held by a trustee.

The accounts required by the Trustee are described herein.

Project Account - To account for all financial resources received by the Authority for the payment of costs related to the Project which includes the following: (a) the acquisition of surface parking lots from the City; and (b) the costs associated with the issuance of the notes. All moneys that are on deposit in the Project Account are pledged pending their application to secure the payment of the principal and the interest on the Project notes.

Debt Service Account - To account for the accumulation of resources for the payment of principal and interest due during the current fiscal year on the Project Notes.

Rebate Account - To account for monies subject to rebate to the United States Government pursuant to the provisions of the Internal Revenue Code of 1986.

4. *Accounts Receivable*

All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

5. *Capital Assets*

All capital assets acquired or constructed by the Authority are reported as expenses in the account that finances the acquisition of the assets and are capitalized in the operating account. Capital assets are defined by the Authority as assets with an individual cost of \$2,000 and an estimated useful life of at least five years. Such capital assets are valued at historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**PASSAIC PARKING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Position (Continued)

5. *Capital Assets* (Continued)

Construction costs are charged to construction in progress until such time as they are completed and certified by the Authority's consulting engineers, at which time they are transferred to their respective asset category and are then depreciated over their useful lives. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Authority during June 30, 2013 and 2012 was \$116,434 and \$126,774, respectively.

All capital assets are depreciated on the straight-line method based on their asset class and estimated useful lives as follows:

<u>Assets</u>	<u>Years</u>
Property and Equipment	5

6. *Prepaid Items*

Certain payments to vendors and/or the City effect costs applicable to future accounting periods and are recorded as prepaid items in the basic financial statements

7. *Net Position*

Restricted net position is limited to outside third-party restrictions either by law or by other organizations or persons external to the Authority. Unrestricted net position represents the net position neither restricted nor invested in capital assets, net of related debt.

8. *Reclassifications*

Certain reclassifications have been made to the June 30, 2012 balances to conform to the June 30, 2013 presentation.

9. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Authority to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**PASSAIC PARKING AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Accounting

The Authority annually prepares an operating budget. The budget is prepared in accordance with the Budget Manual for Local Public Authorities as promulgated by the Division of Local Government Services, which differs in certain respects from accounting principles generally accepted in the United States of America. The budgets serve as a plan for expenses and the proposed means for financing them. Unexpended appropriations lapse at year end.

The annual budget is approved at least sixty days prior to the beginning of the fiscal year. The budgets must be approved by the Board and submitted to the Division of Local Government Services, Bureau of Authority regulation for approval prior to adoption. Budget adoptions and amendments are recorded in the Authority's minutes.

Six Year Capital budgets are also prepared. Included within the budget are individual projects along with their estimated cost, completion date and source of funding.

The encumbrance method of accounting is utilized by the Authority for budgetary purposes. Under this method purchase orders, contracts and other commitments for expenditures of resources are recorded to reserve a portion of the applicable budget appropriation.

In accordance with accounting principles generally accepted in the United States of America, outstanding encumbrances at year-end for which goods or services are received, are classified to expenses and accounts payable. All other encumbrances in the annual budgeted funds are reversed at year-end and are either cancelled or are included as reappropriations of fund equity for the subsequent year. Encumbrances at year-end in funds that are budgeted on a project basis automatically carry forward along with their related appropriations and are not subject to annual cancellations and reappropriations.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits - The Authority's deposits are insured through either 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.

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2013 and 2012, the book value of the Authority's deposits was \$135,780 and \$20,762, respectively, and bank balance of the Authority's cash and deposits amounted to \$157,887 and \$19,762, respectively.

The Authority's deposits which are displayed on the balance sheet as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balances at June 30,</u>	
	<u>2013</u>	<u>2012</u>
Insured	<u>\$157,887</u>	<u>\$19,762</u>

**PASSAIC PARKING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 3 DEPOSITS AND INVESTMENTS (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 June 30, 2013 and 2012, none of the Authority’s bank balances were exposed to custodial credit risk.

Investments

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States of America.
- b. Government Money Market Mutual Funds.
- c. Any obligations that a federal agency or a federal instrumentality has issued, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest.
- d. Bonds or other obligations of the Authority or bonds or other obligations of school districts, which are within the Authority’s jurisdiction.
- e. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, that are approved by the New Jersey Department of Treasury, Division of Investments.
- f. Local Government investment pools.
- g. Agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1(8a-8e).

As of June 30, 2013 and 2012, the Authority had the following investments:

	<u>Reported Amount</u>	<u>Fair Value</u>
<u>2013</u>		
TD Wealth Management Project Bonds Series 2010 Funds:		
Restricted	<u>\$ 130,448</u>	<u>\$ 130,448</u>
Investments Reported as "Cash and Cash Equivalents"	<u>\$ 130,448</u>	<u>\$ 130,448</u>
<u>2012</u>		
TD Wealth Management Project Bonds Series 2010 Funds:		
Restricted	<u>\$ 154,744</u>	<u>\$ 154,744</u>
Investments Reported as "Cash and Cash Equivalents"	<u>\$ 154,744</u>	<u>\$ 154,744</u>

Interest Rate Risk – The Authority does not have a formal investment policy that limits investment maturities as a means of managing it’s exposure to fair value losses arising from increasing interest rates.

**PASSAIC PARKING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2013 and 2012 were as follows:

	Balance, July 1, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance, June 30, <u>2013</u>
<u>2013</u>				
Capital assets, not being depreciated:				
Land	\$ 2,800,000	\$ -	\$ -	\$ 2,800,000
Total capital assets, not being depreciated	<u>2,800,000</u>	<u>-</u>	<u>-</u>	<u>2,800,000</u>
 Total capital assets, net	 <u>\$ 2,800,000</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 2,800,000</u>
	Balance, July 1, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance, June 30, <u>2012</u>
<u>2012</u>				
Capital assets, not being depreciated:				
Land	\$ 2,800,000	\$ -	\$ -	\$ 2,800,000
Total capital assets, not being depreciated	<u>2,800,000</u>	<u>-</u>	<u>-</u>	<u>2,800,000</u>
 Total capital assets, net	 <u>\$ 2,800,000</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 2,800,000</u>

NOTE 6 LONG-TERM DEBT

On November 20, 2009, the Authority issued \$2,950,000 of Guaranteed Parking Revenue Bonds, Series 2009, Federally Taxable, ("2009 Revenue Bonds") to provide funds to currently refund the Authority's outstanding Project Notes, in the amount of \$2,950,000, maturing on November 22, 2009. The proceeds of the Project Notes were used to finance the acquisition of certain parking lots located within the City.

Revenue Bonds outstanding at June 30, 2013 and 2012, consist of the following:

	<u>2013</u>	<u>2012</u>
\$2,950,000 Guaranteed Parking Revenue Bonds, Series 2009, Federally Taxable 4.18% to 5.42% due in annual installments of \$270,000 to \$365,000 on November 15, 2013 to 2019	<u>\$ 2,200,000</u>	<u>\$ 2,460,000</u>
Total	<u>\$ 2,200,000</u>	<u>\$ 2,460,000</u>

**PASSAIC PARKING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 6 LONG-TERM DEBT (Continued)

The Authority's schedule of principal and interest requirements for long-term debt issued and outstanding as of June 30, 2013 is as follows:

Period Ending <u>June 30,</u>	<u>Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2014	\$ 270,000	\$ 106,715	\$ 376,715
2015	285,000	95,116	380,116
2016	295,000	81,164	376,164
2017	310,000	64,769	374,769
2018	330,000	47,425	377,425
2019	345,000	29,133	374,133
2020	365,000	9,891	374,891
	<u>\$ 2,200,000</u>	<u>\$ 434,213</u>	<u>\$ 2,634,213</u>

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the cost-sharing contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees. Employees of the Passaic Parking Authority who are eligible for pension coverage are enrolled in the Public Employees Retirement System (PERS).

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 health care, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement system covering certain state and local government employees which include those employees who are eligible for pension coverage.

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

Other Pension Funds

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

**PASSAIC PARKING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Other Pension Funds (Continued)

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

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

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 of each of the above systems, funds, and trust. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the various pension Funds administered by the State of New Jersey are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the Funds. Benefits or refunds are recognized when due and payable in accordance with the applicable eligibility terms of the funds.

Investment Valuation

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

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

**PASSAIC PARKING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Significant Legislation

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

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

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefit increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 62 to 65 for Tier 5 members.
- It increased the active member contribution rates as follows: PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

Funding Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS, is 67.5 percent with an unfunded actuarial accrued liability of \$41.7 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 60.8 percent and \$30.1 billion, and the aggregate funded ratio and unfunded accrued liability for local systems including PERS is 77.5 percent and \$11.6 billion.

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

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

**PASSAIC PARKING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Methods and Assumptions

In the July 1, 2011 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) a revised investment rate of return for PERS from 8.25 percent to 7.95 percent; and (2) revised projected salary increases in PERS to 4.52 percent.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.5% for PERS and 5.5% for DCRP of the employees' annual compensation.

For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended June 30, 2013 and 2012, the Authority employees are enrolled in the City's PERS pension plan. Therefore, the Authority was not required to contribute for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) or post-retirement medical benefits.

Post-Retirement Medical Benefits

The Authority currently does not provide employer paid post-retirement medical benefits to its active or retired employees.

NOTE 8 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to general liability, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is covered under the City's insurance coverage to guard against these events which will provide minimum exposure to the Authority should they occur.

NOTE 9 CITY OF PASSAIC DEBT GUARANTEE

On November 20, 2009, the Authority issued \$2,950,000 in Parking Revenue Bonds. The payment of the principal of and interest on the 2009 Revenue Bonds shall be fully irrevocably and unconditionally guaranteed by the City in accordance with the provisions of N.J.S.A. 40:11A-22 and the guaranty ordinance of the City finally adopted pursuant thereto, and the City is fully, irrevocably and unconditionally liable for the payment, when due, of the principal of and interest on this Bond, and if necessary the City shall levy ad valorem taxes upon all the taxable property within the City without limitation as to rate or amount in order to make such payment.

**PASSAIC PARKING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 10 INTER-LOCAL AGREEMENTS WITH CITY OF PASSAIC

The Authority has entered into an agreement with the City in order to affect the various purposes for which the Authority was created. Pursuant to the inter-local agreement the Authority will lease certain employees from the City and receive certain services. The agreed upon amounts owed for the leased employees and municipal services provided for the years 2013 and 2012 were \$737,473 and \$653,000, respectively. In future year's amounts owed by the Authority to the City will be based on the actual amounts of salaries and benefits for that particular year. Adjustments resulting from revenue sharing associated with budgetary income will be made in the subsequent year.

Lease of Assets: The Authority entered into a lease agreement with the City as lessor for any and all meters, facilities, vehicles and other equipment relating thereto, that is not already owned by the Authority. The City may, from time to time, by sale, lease, or otherwise, transfer to the Authority such Parking Facilities as it shall determine are consistent with the purposes of the Authority.

NOTE 11 RESTATEMENT

On July 1, 2012, the Authority implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement No. 65, "Items Previously Reported in Assets and Liabilities". The Authority has determined that the effect of implementing these accounting changes on the financial statements previously reported as of and for the year ended June 30, 2012 is as follows:

Statement of Net Position - June 30, 2012

	As Originally <u>Reported</u>	<u>As Adjusted</u>	Effect of <u>Change</u>
ASSETS			
Noncurrent Assets			
Deferred Charges			
Debt Issuance Costs	\$ 73,950	-	\$ (73,950)
Total Noncurrent Assets	2,873,950	\$ 2,800,000	(73,950)
Total Assets	3,120,805	3,046,855	(73,950)
NET POSITION			
Net Investment in Capital Assets	413,950	340,000	(73,950)
Total Net Position	635,726	561,776	(73,950)

Statement of Revenues, Expenses and Changes in Net Position - 2012

	As Originally <u>Reported</u>	<u>As Adjusted</u>	Effect of <u>Change</u>
NON-OPERATING REVENUE (EXPENSES)			
Amortization of Costs of Issuance	\$ (10,027)	-	\$ 10,027
Total Non-Operating Revenue (Expenses)	(135,612)	\$ (125,585)	10,027
CHANGE IN NET POSITION	408,446	418,473	10,027
NET POSITION, July 1, 2011	227,280	143,303	(83,977)
NET POSITION, June 30, 2012	635,726	561,776	(73,950)

SUPPLEMENTARY SCHEDULES

PASSAIC PARKING AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2013
BUDGETARY BASIS

(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	2013 Adopted Budget	2013 Actual	Variance Favorable (Unfavorable)	2012 Actual
OPERATING REVENUES				
Parking Fees - Meters	\$ 555,000	\$ 534,026	\$ (20,974)	\$ 561,102
Shared Parking Violations	<u>605,000</u>	<u>680,612</u>	<u>75,612</u>	<u>716,718</u>
Total Operating Revenues	<u>1,160,000</u>	<u>1,214,638</u>	<u>54,638</u>	<u>1,277,820</u>
NON-OPERATING REVENUES				
Interest Income	<u>-</u>	<u>1,130</u>	<u>1,130</u>	<u>1,189</u>
Total Non-Operating Revenues	<u>-</u>	<u>1,130</u>	<u>1,130</u>	<u>1,189</u>
Total Revenues	<u>\$ 1,160,000</u>	<u>\$ 1,215,768</u>	<u>\$ 55,768</u>	<u>\$ 1,279,009</u>
OPERATING APPROPRIATIONS				
ADMINISTRATION				
Salaries and Wages	\$ 28,500	\$ 29,995	\$ (1,495)	\$ 29,752
Fringe Benefits	2,108		2,108	
Other Expenses	<u>12,000</u>	<u>17,079</u>	<u>(5,079)</u>	<u>16,288</u>
Total Administration	<u>42,608</u>	<u>47,074</u>	<u>(4,466)</u>	<u>46,040</u>
COST OF PROVIDING SERVICES				
Other Expenses	32,600	32,497	103	34,722
City of Passaic - Interlocal Services	<u>707,000</u>	<u>737,473</u>	<u>(30,473)</u>	<u>653,000</u>
Total Cost of Providing Services	<u>739,600</u>	<u>769,970</u>	<u>(30,370)</u>	<u>687,722</u>
NON-OPERATING APPROPRIATIONS				
Principal Payments on Debt	260,000	260,000	-	250,000
Interest Payments on Debt	<u>117,792</u>	<u>117,792</u>	<u>-</u>	<u>128,451</u>
Total Non-Operating Appropriations	<u>377,792</u>	<u>377,792</u>	<u>-</u>	<u>378,451</u>
Total Appropriations	<u>1,160,000</u>	<u>1,194,836</u>	<u>(34,836)</u>	<u>1,112,213</u>
Budgetary Income	<u>\$ -</u>	<u>\$ 20,932</u>	<u>\$ 20,932</u>	<u>\$ 166,796</u>
Reconciliation of Budgetary Income to Change in Net Position - GAAP				
Increases to Budgetary Income:				
Principal Paid on Bonds Payable		260,000		250,000
Accrued Interest on Bonds Payable - Net		<u>1,358</u>		<u>1,677</u>
Changes in Net Position - GAAP		<u>\$ 282,290</u>		<u>\$ 418,473</u>

GOVERNMENT AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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MARK SACO, CPA

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 Board
Passaic Parking Authority
Passaic, 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 Passaic Parking Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, as listed in the table of contents which collectively comprise the Passaic Parking Authority's basic financial statements, and have issued our report thereon dated February 12, 2014.

Internal Control over Financial Reporting

Management of the Passaic Parking 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 Passaic Parking 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 Passaic Parking Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Passaic Parking 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. 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 Passaic Parking 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 noted certain other matters that we have reported to management of the Passaic Parking 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 Passaic Parking 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 Passaic Parking Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Fair Lawn, New Jersey
February 12, 2014

ROSTER OF OFFICIALS
AND
GENERAL COMMENTS AND RECOMMENDATIONS

ROSTER OF OFFICIALS

AT JUNE 30, 2013

<u>Name</u>	<u>Title</u>
Daniel Ritz	Chairman
David J. Cohen	Vice-Chairwoman
Denise Perez	Commissioner
Minnie Hiller-Cousins	Commissioner
Daniel Rodriguez	Commissioner
Efraim Z. Keiffer	Commissioner
Theodore Evans	Executive Director
Jose Agosto	CFO
Amada C. Curling	Secretary

GENERAL COMMENTS AND RECOMMENDATIONS

* **Finding** – The amendment to the Interlocal Agreement between the City of Passaic and the Passaic Parking Authority was not formally approved by the Board of Commissioners.

Recommendation – The amendment to the Interlocal Agreement with the City be formally approved by the Board of Commissioners.

A review was performed on all prior year recommendations. Corrective action was taken on all prior year recommendations except those denoted with an asterisk (*).

Appreciation

We desire to express our appreciation of the assistance of the Executive Director and Board of Commissioners, 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.

Respectfully submitted,


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants