

**THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)**

**REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

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INDEPENDENT AUDITOR'S REPORT

Ferraioli, Wielkottz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkottz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973-579-3212
Fax 973-579-7128

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
The Parking Authority of the Town of Morristown
Morristown, New Jersey 07960

Report on the Financial Statements

We have audited the accompanying basic financial statements of the business-type activities and the aggregate remaining fund information of The Parking Authority of the Town of Morristown (a Component Unit of the Town of Morristown) as of and for the year ended December 31, 2017, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic 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 basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that the audit evidence obtained is sufficient to provide a reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of The Parking Authority of the Town of Morristown (a Component Unit of the Town of Morristown) as of December 31, 2017, and the respective changes in net position and cash flows, where applicable, thereof for the year 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 Management's Discussion and Analysis, schedule of the Authority's proportionate share of the net pension liability-PERS and schedule of the Authority's contributions-PERS, as 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information listed in the table of contents including financial information and the letter of comments and recommendations section are presented for purposes of additional analysis, as required by the Division of Local Government Services and are not a required part of the financial statements.

The supplemental information listed in the table of contents are the responsibility of management and were derived from the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, such information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Honorable Chairperson and Members
The Parking Authority of the Town of Morristown
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Other Reporting Required by Government Auditing Standards

In accordance with Governmental Auditing Standards, we have also issued our report dated June 25, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in considering the Authority's internal control over financial reporting and compliance.

Ferraioli, Wielkatz, Cerullo & Cura, P.C.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Newton, New Jersey

June 25, 2018

REQUIRED SUPPLEMENTARY INFORMATION – PART 1

***The Parking Authority of the Town of Morristown
(A Component Unit of the Town of Morristown)
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(UNAUDITED)***

Our discussion and analysis of The Parking Authority of the Town of Morristown (A Component Unit of the Town of Morristown) financial activities for the year ended December 31, 2017. Please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's net position increased \$377.45 as a result of this year's operations.
- Total cost of the Authority's programs was \$8,107,216.64 in 2017 compared to \$7,121,971.26 in 2016.
- During the year, the Authority had program expenses for business-type activities that were \$377.45 less than the \$8,107,594.09 in program revenues.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Authority as a whole and present a longer-term view on the Authority's finances. Entity Wide financial statements – Proprietary Funds begin on page 13.

Reporting the Authority as a Whole

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of the year's activities?". The Authority's finances, as a whole, are better off this year. Parking revenues for the year ending December 31, 2017 increased when compared with the previous year and revenues overall were in excess of the minimum requirements. In 2004 the Parking Authority received proceeds from the sale of 200 non-reserved parking spaces in the Ann/Bank/Schuyler Parking garage to the County of Morris. The proceeds from that sale were used to construct approximately 100 public parking spaces at the Vail Mansion project and as a down payment for the Maple Avenue Parking Garage/Office Building Project. Both of these major capital improvement projects have been completed. The Vail Mansion project was opened to the parking public in 2008. The DeHart Street Parking Garage/ Maple Avenue Office Building is also now complete and open to the public. These projects represent a major contribution to the Town's parking infrastructure. Parking activity has continued to increase steadily at the DeHart Street Garage, due to new retail shops, background demand and new development. The familiarity and satisfaction with the parking facility by people living in or visiting Morristown has also contributed to the increased activity. As anticipated, activity resulting from the Century 21 Department Store remains strong, as is activity during the daytime and evening resulting from the new Epstein's Redevelopment Project and new residential townhomes on Maple Avenue and Modera (Phase I) apartment complex. Modera (Phase II) is currently under construction and proceeding according to schedule.

In addition, the 2 South Street and 5 Park Place residential/commercial development project has been completed and is fully occupied. The Hampshire Global Partners, LLC office project on Market Street (FoxsRothchild building) is nearly complete and occupied. Further, the long awaited Metropolitan Lofts building, a residential/commercial project on DeHart Street is underway and when completed will further improve the Authority's financial position. There are several pending future development projects including Vertical Realty Capital, LLC, a mixed use residential/commercial project and a Planning Board approved Sunstone Hotels Morristown, LLC. Both projects are located on Market Street.

Reporting the Authority as a Whole (Continued)

The Statement of Net Position and the Statement of Activities (Continued)

The Statement of Net Position and the Statement of Activities report information about the Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's *net position* and changes in them. You can think of the Authority's net position, the difference between assets and liabilities, as one way to measure the Authority's financial health, or *financial position*. Over time, *increases* or *decreases* in the Authority's net position are one indicator whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Authority's user fee base, and the condition of the Authority's capital assets to assess the overall *health* of the Authority. Critical to the financial health of the Authority is its user fee base. Morristown is a designated Regional Center.

The Town of Morristown serves as the economic, financial, transportation and political hub of Morris County. Morristown is also the cultural center of Morris County. The Authority's user fee base has increased significantly due to the recent construction and occupancy of retail and residential projects within the Town of Morristown. These development projects have been completed and have helped to revitalize the Town and the Authority's parking facilities will continue to support existing and future development within the Central Business District.

**Major Features of
The Parking Authority of the Town of Morristown
Entity Wide Financial Statements
(Figure A-1)**

Entity Wide Financial Statements	
Business-Type Funds	
Scope	Activities the Authority operates similar to private businesses.
Required financial statements	Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred inflows/outflows and liabilities, both financial and capital, and short-term and long-term.
Type of inflow/outflow information	All revenues and expenses, regardless of when cash is received or paid.

THE AUTHORITY AS A WHOLE

The Authority's net position changed from a year ago, *increasing* from \$14,295,282.49 to \$14,295,659.94. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Authority's business-type activities as of December 31.

**Table 1
Net Position**

	Business-Type Activities	
	2017	2016
Current and Other Assets	\$6,968,883.47	\$ 8,264,951.02
Capital Assets	41,999,447.99	42,271,487.68
Total Assets	<u>48,968,331.46</u>	<u>50,536,438.70</u>
Deferred Outflows	1,255,050.05	1,508,067.00
Long-Term Debt Outstanding	30,735,000.00	31,750,000.00
Other Liabilities	3,770,400.30	5,970,450.21
Total Liabilities	<u>34,505,400.30</u>	<u>37,720,450.21</u>
Deferred Inflows	1,422,321.27	28,773.00
Net Position:		
Net Investment in Capital Assets	10,928,171.77	9,521,487.68
Restricted	4,796,489.96	7,046,408.53
Unrestricted	(1,429,001.79)	(2,272,613.72)
Total Net Position	<u>\$ 14,295,659.94</u>	<u>\$ 14,295,282.49</u>

- Net position of the Authority's business-type activities increased by .00264 percent.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased \$843,611.93.
- Restricted net position, decreased by \$2,249,918.57.
- The net investment in capital assets increased \$1,406,684.09.

Table 2
Changes in Net Position

	<u>2017</u>	<u>2016</u>
<u>Revenues</u>		
Program Revenues:		
Charges for Services	\$6,009,984.53	\$ 5,756,134.27
Interest and Investment Earnings	10,262.27	10,567.94
Other General Revenues	<u>2,087,347.29</u>	<u>2,486,302.96</u>
Total Revenues	<u>8,107,594.09</u>	<u>8,253,005.17</u>
 <u>Program Expenses</u>		
Business-type Activities:		
Parking	7,271,832.92	6,661,952.28
Capital Expenditures	<u>835,383.72</u>	<u>460,018.98</u>
Total Expenses	<u>8,107,216.64</u>	<u>7,121,971.26</u>
Increase/(Decrease) in Net Position	<u>\$ 377.45</u>	<u>\$ 1,131,033.91</u>

Business-type Activities

Authority's major Enterprise Fund consists of the Parking Operations. The basic financial statements for the major funds are included in this report. Because the focus on business-type funds is a cost of service measurement or capital maintenance, we have included these funds in Table 3, which demonstrates return on ending assets and return on ending net position.

Table 3

Total Assets	\$48,968,331.46
Net Position	\$14,295,659.94
Change in Net Position	\$377.45
Return on Ending Total Assets	0.00077%
Return on Ending Net Position	0.00264%

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

**Table 4
Net Investment in Capital Assets at Year-end**

	<u>Activites</u>	
	<u>2017</u>	<u>2016</u>
Land	\$1,821,297.00	\$ 1,821,297.00
Land Improvements	1,769,583.82	1,755,383.82
Buildings and Improvements	48,274,690.59	48,274,690.59
Machinery and Equipment	2,771,548.72	2,688,572.72
Construction in Process	<u>681,350.03</u>	<u>-</u>
Subtotal	55,318,470.16	54,539,944.13
Accumulated Depreciation	<u>(13,319,022.17)</u>	<u>(12,268,456.45)</u>
Totals	<u>\$ 41,999,447.99</u>	<u>\$ 42,271,487.68</u>

This year's major additions in the Business-type Activities included ongoing expenditures including legal, consulting and other costs relating to Authority projects such as construction projects, pay station upgrades and elevator modernization improvements.

The Authority anticipates additional monies will be spent from the 2018 capital budget, including finalizing expenditures from the Improvement Fund and various system and garage improvements. More detailed information about the Authority's capital assets is presented in the notes to the basic financial statements.

DEBT

At year – end the Authority had total debt of \$33,610,748.00 outstanding versus \$36,793,584.00 last year – a decrease of 9.47 percent – as shown in Table 5.

**Outstanding Debt, at Year –end
Table 5**

	<u>Business-type Activites</u>	
	<u>2017</u>	<u>2016</u>
Revenue Bonds	\$ 30,735,000.00	\$ 32,750,000.00
Net Pension Liability	<u>2,875,748.00</u>	<u>4,043,584.00</u>
	<u>\$ 33,610,748.00</u>	<u>\$ 36,793,584.00</u>

A more detailed analysis of the Authority's Debt is presented in the notes to the basic financial statements.

CONTACTING THE AUTHORITY FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Director, Morristown Parking Authority, 14 Maple Ave., Suite 101, Morristown, New Jersey 07960.

BASIC FINANCIAL STATEMENTS

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

Statement 1

	Business-type Activities - Enterprise Funds	
ASSETS	Parking	Totals
Current Assets:		
Unrestricted:		
Cash and Cash Equivalents	\$ 1,564,587.17	\$ 1,564,587.17
Petty Cash	50.00	50.00
Change Fund	580.00	580.00
Parking Accounts Receivable	86,736.69	86,736.69
Rent Accounts Receivable	13,884.83	13,884.83
Total Current Assets	1,665,838.69	1,665,838.69
Current Assets:		
Restricted:		
Cash and Cash Equivalents	5,273,542.98	5,273,542.98
Restricted - Other Receivables	29,501.80	29,501.80
	5,303,044.78	5,303,044.78
Noncurrent Assets:		
Capital Assets not Being Depreciated:		
Land	1,821,297.00	1,821,297.00
Construction In Process	681,350.03	681,350.03
Total Capital Assets Not Being Depreciated	2,502,647.03	2,502,647.03
Capital Assets Being Depreciated	52,815,823.13	52,815,823.13
Less Accumulated Depreciation	(13,319,022.17)	(13,319,022.17)
Total Capital Assets Being Depreciated:	39,496,800.96	39,496,800.96
Total Capital Assets	41,999,447.99	41,999,447.99
Total Noncurrent Assets	41,999,447.99	41,999,447.99
Total Assets	48,968,331.46	48,968,331.46
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferred Outflows	998,835.00	998,835.00
Unamortized Debt Discount Costs-2017 Issue	256,215.05	256,215.05
Total Deferred Outflows of Resources	1,255,050.05	1,255,050.05
LIABILITIES		
Current Liabilities:		
Payable from Unrestricted Assets:		
Accounts Payable - Operating	203,424.09	203,424.09
Accounts Payable - Pension	114,444.00	114,444.00
Prepaid Revenues	63,436.50	63,436.50
Payroll Deductions Payable	6,792.89	6,792.89
Total Current Liabilities	388,097.48	388,097.48
Current Liabilities:		
Payable from Restricted Assets:		
Accrued Interest on Bonds	506,554.82	506,554.82
Bonds Payable	1,010,000.00	1,010,000.00
Total Current Liabilities Payable from Restricted Assets	1,516,554.82	1,516,554.82
Noncurrent Liabilities:		
Net Pension Liability	2,875,748.00	2,875,748.00
Bonds Payable	29,725,000.00	29,725,000.00
Total Noncurrent Liabilities	32,600,748.00	32,600,748.00
Total Liabilities	34,505,400.30	34,505,400.30
DEFERRED INFLOWS OF RESOURCES		
Unamortized Gain on Refunding	592,491.27	592,491.27
Pension Deferred Inflows	829,830.00	829,830.00
Total Deferred Inflows	1,422,321.27	1,422,321.27
NET POSITION		
Net Investment in Capital Assets	10,928,171.77	10,928,171.77
Restricted for:		
Operations	50,000.00	50,000.00
Employees Dental Plan	9,147.47	9,147.47
Permit Escrow Accounts	55,375.00	55,375.00
Parker Refund Accounts	15.00	15.00
Current Debt Service	420,833.33	420,833.33
Future Debt Service	1,004,365.00	1,004,365.00
Future Improvements	3,256,754.16	3,256,754.16
Unrestricted/Undesignated	(1,429,001.79)	(1,429,001.79)
Total Net Position	\$ 14,295,659.94	\$ 14,295,659.94

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

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds	
	Parking	Totals
Operating Revenues:		
On and Off Street Revenues	\$ 6,009,984.53	\$ 6,009,984.53
Other Operating Revenues	1,275,237.59	1,275,237.59
Total Operating Revenues	<u>7,285,222.12</u>	<u>7,285,222.12</u>
Operating Expenses:		
Administration and Maintenance	3,749,975.36	3,749,975.36
Depreciation	1,050,565.72	1,050,565.72
Total Operating Expenses	<u>4,800,541.08</u>	<u>4,800,541.08</u>
Operating Income	<u>2,484,681.04</u>	<u>2,484,681.04</u>
Nonoperating Revenues (Expenses):		
Interest Income	10,262.27	10,262.27
Interest Expense	(762,882.12)	(762,882.12)
Payment of Claims on Dental Plan	(9,920.19)	(9,920.19)
2017 Budget Appropriations-Dental Plan	7,000.00	7,000.00
Debt Service Reserve Utilized in Refunding	(1,482,023.41)	(1,482,023.41)
Non-Capitalized Expenditures	(835,383.72)	(835,383.72)
Miscellaneous Receipts	10,570.40	10,570.40
Miscellaneous Disbursements	(10,637.20)	(10,637.20)
Cost on Issuance of Refunding	(205,828.92)	(205,828.92)
Capitalization of Assets	778,526.03	778,526.03
Unamortized Gain on Refunding	16,013.27	16,013.27
Total Nonoperating Revenue(Expenses)	<u>(2,484,303.59)</u>	<u>(2,484,303.59)</u>
Change in Net Position	<u>377.45</u>	<u>377.45</u>
Total Net Position—Beginning	14,295,282.49	14,295,282.49
Total Net Position—Ending	<u>\$ 14,295,659.94</u>	<u>\$ 14,295,659.94</u>

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

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds	
	Parking	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 7,478,690.63	\$ 7,478,690.63
Payments to Suppliers	(3,539,430.07)	(3,539,430.07)
Net Cash Provided by Operating Activities	<u>3,939,260.56</u>	<u>3,939,260.56</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
2017 Budget Appropriation	7,000.00	7,000.00
Payment of Claims	(9,920.19)	(9,920.19)
Miscellaneous Receipts	10,570.40	10,570.40
Miscellaneous Disbursements	(10,637.20)	(10,637.20)
Net Cash (Used) for Non-Capital Financing Activities	<u>(2,986.99)</u>	<u>(2,986.99)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of Debt Service - Principal	(2,015,000.00)	(2,015,000.00)
Payment of Debt Service - Interest	(861,457.52)	(861,457.52)
Additions to Capital Assets	(778,526.03)	(778,526.03)
Non-Capitalized Expenditures	(835,383.72)	(835,383.72)
Cost of Issuance on Refunding	(205,828.92)	(205,828.92)
Debt Refunding Transactions Net	(91,760.80)	(91,760.80)
Net Cash (Used for) Capital and Related Financing Activities	<u>(4,787,956.99)</u>	<u>(4,787,956.99)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	10,262.27	10,262.27
Net Cash Provided by Investing Activities	<u>10,262.27</u>	<u>10,262.27</u>
Net Increase in Cash and Cash Equivalents	(841,421.15)	(841,421.15)
Balances—Beginning of Year	\$ 7,680,181.30	7,680,181.30
Balances—End of Year	<u>\$ 6,838,760.15</u>	<u>\$ 6,838,760.15</u>
Analysis of Balance:		
Unrestricted	\$ 1,565,217.17	\$ 1,565,217.17
Restricted	5,273,542.98	5,273,542.98
Total	<u>\$ 6,838,760.15</u>	<u>\$ 6,838,760.15</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 2,484,681.04	\$ 2,484,681.04
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,050,565.72	1,050,565.72
Adjustment for Net Pension Liability	135,607.00	135,607.00
Decrease in Payroll Liability	(5,870.87)	(5,870.87)
Decrease in Accounts Receivable	195,199.31	195,199.31
Decrease in Prepaid Revenue	(1,730.80)	(1,730.80)
Increase in Accounts Payable	80,809.16	80,809.16
Total Adjustments	<u>1,454,579.52</u>	<u>1,454,579.52</u>
Net Cash Provided by Operating Activities	<u>\$ 3,939,260.56</u>	<u>\$ 3,939,260.56</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of The Parking Authority of the Town of Morristown (a Component Unit of the Town of Morristown) (the "Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority is required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Authority has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Authority has chosen not to do so. The more significant accounting policies established in GAAP and used by the Authority are discussed below.

In March 2009, the Governmental Accounting Standards Board (GASB) adopted Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement became effective for fiscal periods beginning after June 15, 2010. The effective date for the Authority is the fiscal year beginning December 1, 2010. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications and clarifying the existing fund balance type definitions.

B. Reporting Entity

These financial statements present the Authority. GASB has issued Statement's No. 39 and 61, which amends GASB 14 and requires the financial reporting entity to include both the primary government and those component units. Component units are legally separate organizations for which the Authority is financially accountable or other organizations for which the nature and significance 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 to the Town of Morristown (the "Town") since the Town appoints a voting majority of the Authority's board, and (1) the Town is able to significantly influence the programs and services performed or provided by the Authority; or (2) the Town is legally entitled to or can otherwise access the Authority's resources; the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to,

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. Reporting Entity, (continued)

the Authority; or the Town is obligated for the debt of the Authority. Component units may also include organizations that are fiscally dependent on the Town in that the Town approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the Authority is a component unit of the primary government of the Town of Morristown. The Commissioners of the Authority are appointed by the Town Council of the Town of Morristown for staggered terms of five years. The Town has assumed certain obligations under a Replenishment Agreement dated June 1, 1997.

The Division of Local Government Services, Department of Community Affairs, State of New Jersey has not mandated that municipalities in the State of New Jersey implement GASB 34 therefore the Town's financial statements are not presented.

The Authority was created by ordinance of the Town of Morristown, N.J. finally adopted by the Mayor and Board of Aldermen thereof on February 14, 1956, pursuant to Chapter 198, P.L. 1948, (Revised Statutes 40:11A). The Parking Authority exists as a public body politic and corporate constituting a political subdivision of the State of New Jersey.

Under the Enabling Act, the Authority is authorized and empowered, among other things: to construct, maintain, repair and operate parking projects; to issue its revenue bonds; to fix, alter, charge and collect rents, rates and fees for use of parking projects; to sue and be sued; to borrow money; to invest its funds; and to sell, transfer and dispose of any of its property. The Authority also has the right to acquire real property by the exercise of the power of eminent domain, subject to the consent of the governing body of the Town of Morristown.

The Authority is restricted to function within the geographical limits of the Town of Morristown.

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

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the primary government is not accountable but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. Reporting Entity, (continued)

The primary criterion for including activities within the Authority's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Authority. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Authority over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Authority is not includable in any other reporting entity on the basis of such criteria.

On September 24, 1956 the Town of Morristown and the Authority entered into an agreement whereby the Town turned over to the Authority the operation and maintenance of all on-street and off-street parking facilities, meters and equipment.

On April 24, 1984, the Authority entered into an agreement with Schuyler Place Associates relating to the construction of Ann-Bank Street Parking Garage.

On June 13, 1984, the Town and the Authority executed a loan agreement (the "Loan Agreement") providing for the loan to the Authority of \$5,650,000 and the subsequent repayment thereof by the Authority. The Authority agreed to pay the Town an amount equal to the principal and interest due on the 1985 General Obligation Bonds for the Schuyler Parking Project. The loan to the Authority was made on June 13, 1984 from the proceeds of the sale of bond anticipation notes in the amount of \$5,650,000.00.

In June of 1992 Schuyler Place Associates transferred its interest in the Upper Space Agreement to Massachusetts Mutual Life Insurance Company by way of assignment in lieu of foreclosure, and on December 1, 1992 the County of Morris purchased the 30 Schuyler Place office building from Massachusetts Mutual Life Insurance Company. Pursuant to the Upper Space Agreement (air-rights lease) between Schuyler Place Associates and the Authority, the County of Morris, as successor, agreed to pay to the Authority an Incremental Bonded Cost and annual rent for the Upper Space.

On December 23, 1993 the Parking Authority and County of Morris executed an Agreement of Sale Mutual Cooperation and Reciprocal Easements, as well as a Master Parking Lease Agreement, wherein the County of Morris purchased from the Authority the fee interest and air rights within which the 30 Schuyler Place office building has been

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. Reporting Entity, (continued)

constructed as well as the sale of one hundred twenty-six (126) parking spaces in the Ann-Bank Street Parking Garage, and rental of an additional forty (40) parking spaces for a term of five (5) years, for the sum of \$2,750,000.00. The County of Morris will continue to pay the Annual Incremental Bonded Cost, as adjusted on a prorata basis, \$20,567.50, commencing with the date of closing and payable on the first day of each month thereafter until December 1, 2014.

The Authority issued \$27,180,000.00 of Guaranteed Parking Revenue Bonds dated July 1, 2007. The Bonds together with other available funds were used for: (1) designing and constructing an approximately 781 space parking facility and an attached 33,815 square feet. four story office building; (2) funding capitalized interest; (3) funding a Debt Service Reserve Fund; and (4) paying the costs and expenses in connection with the issuance and delivery of the Bonds.

The Authority issued \$9,890,000.00 of Guaranteed Parking Revenue Bonds – Series 2011 dated August 1, 2011. The Bonds together with other available funds were used for: (1) currently refunding of the Authority’s outstanding Guaranteed Parking Revenue Bonds – Series 2002; (2) currently refunding of the Authority’s outstanding Guaranteed Parking Revenue Bonds – Series 2004; (3) funding a Debt Service Reserve Fund; and (4) paying the costs and expenses in connection with the issuance and delivery of the Bonds.

The Authority issued \$23,855,000 of Guaranteed Parking Revenue Bonds - Series 2017 A, B and C dated June 16, 2017. The Bonds, together with other available funds, were issued to: (1) the current refunding of the Authority's outstanding Guaranteed Parking Revenue Bonds - Series 2007 and (2) paying the costs and expenses incurred in connection with the issuance and delivery of the Bonds. The Refunding resulted in the recognition of accounting gain of \$608,504.54. The Authority, under guidelines of GASB 23, requires this gain to be amortized over the life of the bonds.

C. Basic Financial Statements - Fund Financial Statements

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

C. Basic Financial Statements - Fund Financial Statements, (continued)

Proprietary Fund Type

The focus of Proprietary Fund measurement is upon determination of net income, changes in net position, financial position and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the Authority:

Enterprise Funds – The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Authority is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the users on a continuing basis be financed or recovered primarily through user charges; or, where the Authority has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	20-50 years
Improvements	10-20 years
Machinery and Equipment	5-10 years
Light Trucks and Vehicle	5 years
Heavy Trucks and Vehicle	6 years

Land and Construction in Progress are not depreciated.

D. Measurement Focus and Basis of Accounting

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, grants entitlements and donations

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

E. Budgets/Budgetary Control

The annual budget is required to be balanced and authorities are permitted to utilize unrestricted net position to balance their budget; however, the maximum amount which can be utilized is the lesser of (a) the estimated year-end balance of unrestricted net position or (b) working capital reduced by unrestricted assets not ordinarily convertible into cash (non-liquid, such as prepaid insurance and inventory).

For the purpose of using projected Unrestricted Net Position or funding operating deficits, Authorities are permitted to amend or modify the annual operating budget, since actual results may differ from the amount estimated in the budget process.

Amendments to the operating and/or capital budgets may be permitted for a variety of conditions, as more fully described in the rules and regulations promulgated by the Local Finance Board. There were no significant budget amendments during the fiscal year.

F. Assets, Liabilities and Net Position

Deposits and Investments

Deposits are cash and cash equivalents including petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be investments. U.S. Treasury and Agency Obligations and Certificates of Deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey Authorities are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 40A:5-15.1 et. seq. provides a list of permissible investments that may be purchased by New Jersey Authorities.

Bond Discounts/Premiums Issuance Costs/Deferred Amount on Refunding

Bond discounts, issuance costs, and deferred amount on refundings are deferred and amortized over the term of the bonds using a straight-line method. Bond discounts are presented as a reduction of the face amount of the bonds payable, whereas issuance costs are recorded as other assets.

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

F. Assets, Liabilities and Net Position, (continued)

Restricted Assets

Restricted assets include cash and cash equivalents of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to debt related trustee accounts and debt service reserve and operating requirements.

Compensated Absences

The Authority's policies regarding sick time permit employees to be compensated for earned but unused sick leave at a rate of 50% at the end of the calendar year. No vacation or sick time may be carried over from year to year without prior approval of the Board of Commissioners.

Long-term Obligations

Long – term debt is recognized as a liability of the proprietary fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long – term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then.

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

F. Assets, Liabilities and Net Position, (continued)

Net Position Classification

Entity Wide Statements

Net Position is classified as net assets plus deferred outflows minus total liabilities and deferred inflows and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of the components of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other components of net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates. The items where estimates would occur are for depreciation of capital assets and their useful lives.

G. Recent Accounting Pronouncements

The GASB has issued the following Statement which will become effective in future fiscal years as shown below:

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

G. Recent Accounting Pronouncements, (continued)

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement is effective for periods beginning after June 15, 2017. The Authority believes this Statement will have no impact on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. The Authority believes this Statement will have no impact on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 77, *Tax Abatement Disclosures*, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The Authority believes this Statement will have no impact on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which establishes the criteria for identifying the applicable pension plans and addresses measurement and recognition for pension liabilities, expense and expenditures; note disclosures of descriptive information about the plan, benefit terms, and contributions items; and required supplementary information presenting required contribution amounts for the past 10 fiscal years. The Authority believes this Statement will have no impact on future financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

G. Recent Accounting Pronouncements, (continued)

The Government Accounting Standards Board issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participation*, which permits qualifying external investment pools to measure pool investments at amortized cost for financial reporting purposes. The Authority believes this Statement will have no impact on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which provides clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The Authority believes this Statement will have no impact on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Authority believes this Statement will have no impact on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Authority believes this Statement will have no impact on future financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

G. Recent Accounting Pronouncements, (continued)

In November 2016, the Government Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for asset retirement obligations (AROs). The Authority believes this Statement will have no impact on future financial statements.

In January 2017, the Government Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities. The Authority is currently evaluating the effects, if any, this Statement may have on future financial statements.

In March 2017, the Government Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during the implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

G. Recent Accounting Pronouncements, (continued)

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, Leases, which is intended to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, as a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement. The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This Statement is effective for reporting periods beginning after June 15, 2018. The Authority believes this may impact the disclosures relating to debt in the notes to the financial statements.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the Authority is subject to various federal, state, and local laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

A. Revenue Restrictions and Debt Covenants

Restricted Accounts - In accordance with the bond resolutions, the Authority has established the following cash and investment accounts for the deposit, in the priority of the order listed, of all revenue received by the Authority:

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, (continued)

A. Revenue Restrictions and Debt Covenants, (continued)

<u>Account</u>	<u>Amount</u>	<u>Use for which restricted</u>
Revenue/Operating	All revenue received by the Authority.	Authorized operating expenses
Improvement		Authorized long-term improvements of the Authority.
Bond Service (Current Debt Service)	Amount needed to pay matured principal and interest plus principal and interest due on or before the following February 1 st .	Principal and interest on the bonds.
Bond Service (Future Debt Service)	Amount needed to increase the bond reserve to equal the amount required by the bond resolution.	Transfers to meet minimum level, required in the bond service accounts.
Net Revenue	Net revenues derived from the operation of the parking facilities after payment of operating expenses.	Transfers to meet minimum levels required in the bond service or bond reserve accounts.
Construction Fund	Any moneys received from any source for payment of the costs of construction or acquisition of the parking facilities	Transfers to meet minimum levels required in the bond service or bond reserve accounts

Rate Covenant

The Authority has covenanted to fix, impose, charge and collect tolls, fares, fees and other charges in accordance with its Bond Resolution. The Authority must estimate, compute, make, charge and collect such rents, rates, fees and other charges pursuant to the Act, so the Net Revenues for each Fiscal Year are at least equal to 110% of the annual Debt Service Requirements.

In addition to the above, the Authority has also established the following restricted accounts:

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, (continued)

Employee Dental Plan Reserve Fund for the reimbursement of Dental Services rendered to Authority employees, subject to the approval by the Commissioners

Ann/Bank Schuyler, De Hart Street, Cattano Avenue Mall and Dalton Garage Permit Escrow Accounts for the \$15.00 refundable deposits on the scan cards used by regular monthly parkers.

Revolving Change Fund to replenish monies in the various automated parking payment machines used by the authority.

Parker Refund Account to facilitate the return of monies to monthly parking permit group purchasers.

NOTE 3: DETAILED DISCLOSURES REGARDING ASSETS AND REVENUES

A. Deposits and Investments

Deposits

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

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act (GUDPA). Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

At December 31, 2017, the Authority's cash and cash equivalents amounted to \$6,838,760.15. Of this amount, \$1,000,000.00 was covered by federal depository insurance (F.D.I.C.) and \$3,087,791.77 was covered by a collateral pool maintained by the banks as required by GUDPA. The amount of \$2,750,968.38 on deposit with the Bank of

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 3: DETAILED DISCLOSURES REGARDING ASSETS AND REVENUES, (continued)

A. Deposits and Investments, (continued)

Deposits, (continued)

New York-Trustee is not covered by F.D.I.C or GUDPA, but invests its assets exclusively in debt securities issued or guaranteed by the U.S. government, or by U.S. government agencies or instrumentalities and repurchase agreements fully collateralized by U.S. Treasury and U.S. government securities.

At December 31, 2017 The Authority did not participate in the State of New Jersey Cash Management Fund.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires the disclosure of bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party.

As of December 31, 2017, \$2,750,968.38 of the Authority's cash and cash equivalents of \$6,838,760.15 was exposed to custodial credit risk as follows:

Uninsured and collateral held by public depository or by its' trust department not in the Authority's name	<u>\$2,750,968.38</u>
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Investments

New Jersey statutes (N.J.S.A. 40A:5-15.1) permit the Authority to purchase the following types of securities:

- a. When authorized by resolution adopted by a majority vote of all its members the board of commissioners of any Authority may use moneys which may be in hand for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the Authority;
 - (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
 - (2) Government money market mutual funds;

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 3: DETAILED DISCLOSURES REGARDING ASSETS AND REVENUES, (continued)

A. Deposits and Investments, (continued)

Investments, (continued)

- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the Authority or bonds or other obligations of local unit or units within which the Authority is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by the Authority;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or
- (8) Agreements for the repurchase of fully collateralized securities, if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's) or Standard & Poor's Corporation (S&P). U.S. government debt is considered to have no credit risk.

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 3: DETAILED DISCLOSURES REGARDING ASSETS AND REVENUES, (continued)

A. Deposits and Investments, (continued)

Investments, (continued)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's) or Standard & Poor's Corporation (S&P). U.S. government debt is considered to have no credit risk.

The custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party. Since certificates of deposits are covered by F.D.I.C. and GUDPA and U. S. government debt is guaranteed, there is no custodial credit risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. There are no restrictions in the amount that can be invested in a single issuer.

B. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Adjustments</u>	<u>Retirement</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$1,821,297.00	\$	\$	\$1,821,297.00
Construction in Progress		681,350.03		681,350.03
Total Capital Assets Not Being Depreciated	<u>1,821,297.00</u>	<u>681,350.03</u>		<u>2,502,647.03</u>
Land Improvements	1,755,383.82			1,755,383.82
Buildings and Improvements	48,274,690.59			48,274,690.59
Machinery and Equipment	<u>2,688,572.72</u>	<u>97,176.00</u>		<u>2,785,748.72</u>
Totals at Historical Cost	<u>52,718,647.13</u>	<u>97,176.00</u>		<u>52,815,823.13</u>
Less Accumulated Depreciation For:				
Land Improvements	(1,107,740.14)	(33,155.24)		(1,140,895.38)
Buildings and Improvements	(9,677,579.35)	(840,839.75)		(10,518,419.10)
Machinery and Equipment	<u>(1,483,136.96)</u>	<u>(176,570.73)</u>		<u>(1,659,707.69)</u>
Total Accumulated Depreciation	<u>(12,268,456.45)</u>	<u>(1,050,565.72)</u>		<u>(13,319,022.17)</u>
Net Capital Assets Being Depreciated	<u>40,450,190.68</u>	<u>(953,389.72)</u>		<u>39,496,800.96</u>
Business-Type Activities, Capital Assets, Net	<u>\$42,271,487.68</u>	<u>(\$272,039.69)</u>	<u>\$</u>	<u>\$41,999,447.99</u>

(1) Depreciation expense was charged as follows: Parking

\$1,050,565.72

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 4: DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES/EXPENDITURES

A. Operating Leases

The Authority has no commitments to lease equipment under operating leases.

B. Long-Term Liabilities

Long-Term liability activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities:					
Long-Term Debt::					
Serial Bonds	\$32,750,000.00	\$23,855,000.00	\$25,870,000.00	\$30,735,000.00	\$1,010,000.00
Total Debt Payable	<u>32,750,000.00</u>	<u>23,855,000.00</u>	<u>25,870,000.00</u>	<u>30,735,000.00</u>	<u>1,010,000.00</u>
Other Liabilities:					
Net Pension Liability	4,043,584.00	_____	1,167,836.00	2,875,748.00	_____
Totals Other Liabilities	<u>4,043,584.00</u>	_____	<u>1,167,836.00</u>	<u>2,875,748.00</u>	_____
Business-Type Activities:					
Long-Term Liabilities	<u>\$36,793,584.00</u>	<u>\$23,855,000.00</u>	<u>\$27,037,836.00</u>	<u>\$33,610,748.00</u>	<u>\$1,010,000.00</u>

Bonds Payable

During 2007 the Authority issued \$27,180,000.00 Guaranteed Parking Revenue Bonds Dated July 1, 2007.

During 2011 the Authority defeased the remaining amounts of the 2002 and the 2004 Bonds and issued \$9,890,000.00 of refunding Bonds dated August 16, 2011.

During 2017, the Authority issued \$23,855,000 Refunding Bonds. These Bonds refunded the 2007 Guaranteed Parking Revenue Bonds.

Bonds are authorized in accordance with State law. All bonds are retired in serial installments within the statutory period of usefulness.

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 4: DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES/EXPENDITURES, (continued)

B. Long-Term Liabilities, (continued)

Serial Bonds outstanding as of December 31, 2017 consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Revenue Refunding of 2017	Various	8/1	8/1/37	\$23,855,000.00	\$23,855,000.00
Refunding of 2011	Various	8/1	8/1/25	<u>9,890,000.00</u>	<u>6,880,000.00</u>
				<u>\$33,745,000.00</u>	<u>\$30,735,000.00</u>

As of December 31, 2017 the Authority had no authorized but not issued bonds.

Principal and interest due on serial bonds outstanding is as follows:

<u>Year</u>	<u>Refunding Bonds of 2017</u>		<u>Refunding Bonds of 2011</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$255,000.00	\$870,461.16	\$755,000.00	\$248,552.50	\$2,129,013.66
2019	360,000.00	766,093.26	785,000.00	218,352.50	2,129,445.76
2020	370,000.00	753,023.82	815,000.00	186,952.50	2,124,976.32
2021	380,000.00	739,375.62	850,000.00	154,352.50	2,123,728.12
2022	395,000.00	725,072.62	875,000.00	128,852.50	2,123,925.12
2023	415,000.00	710,072.12	900,000.00	100,415.00	2,125,487.12
2024	425,000.00	694,234.86	935,000.00	69,365.00	2,123,599.86
2025	445,000.00	677,876.76	965,000.00	35,705.00	2,123,581.76
2026	1,455,000.00	667,559.52			2,122,559.52
2027	1,500,000.00	623,233.62			2,123,233.62
2028	1,550,000.00	575,442.16			2,125,442.16
2029	1,600,000.00	524,382.76			2,124,382.76
2030	1,645,000.00	478,767.50			2,123,767.50
2031	1,695,000.00	429,417.50			2,124,417.50
2032	1,750,000.00	378,567.50			2,128,567.50
2033	1,800,000.00	322,567.50			2,122,567.50
2034	1,860,000.00	264,967.50			2,124,967.50
2035	1,920,000.00	205,447.50			2,125,447.50
2036	1,980,000.00	139,207.50			2,119,207.50
2037	<u>2,055,000.00</u>	<u>70,897.50</u>			<u>2,125,897.50</u>
	<u>\$23,855,000.00</u>	<u>\$10,616,668.28</u>	<u>\$6,880,000.00</u>	<u>\$1,142,547.50</u>	<u>\$42,494,215.78</u>

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 5: DETAILED DISCLOSURE REGARDING NET POSITION

A. Restricted Net Position

Restricted for:	
Operations	\$50,000.00
Employees Dental Plan	9,147.47
Lot Permit Escrow Funds	55,375.00
Parker Refund Account	15.00
Current Debt Service	420,833.33
Future Debt Service	1,004,365.00
Future Improvements	<u>3,256,754.16</u>
Total Restricted	<u>\$4,796,489.96</u>

B. Unrestricted Net Position

Pension-related items	\$(2,821,187.00)
Available for use in Future Budgets	<u>1,392,185.21</u>
Undesignated Net Position	<u>\$(1,429,001.79)</u>

NOTE 6. PENSION PLANS

Description of Plans:

Authority employees participate in the State of New Jersey Public Employees' Retirement System (PERS) contributory, defined benefit public employee retirement systems or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

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(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 6. PENSION PLANS, (continued)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. 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. 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 2, 2008
3	Members who were eligible to enroll 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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 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 age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. 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.

Contribution Requirements

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. The pension funds originally provided for employee contributions based on 5.5% for PERS. This amount was increased to 6.5% plus an additional 1% phased in over 7 years beginning 2012, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS.

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 6. PENSION PLANS, (continued)

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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 the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

The Authority's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Fiscal</u> <u>Year</u>	<u>PERS</u>	<u>DCRP</u>
2017	\$121,290.00	\$15,273.14
2016	103,195.00	-0-
2015	100,847.00	-0-

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68

Public Employees Retirement System (PERS)

At December 31, 2017, the Authority reported a liability of \$2,875,748 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 6. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2017, the Authority's proportion was .0123537176 percent, which was a decrease of 0.0012991324 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Authority recognized pension expense of \$256,897.00. At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$579,364.00	\$577,240.00
Net difference between projected and actual earnings on pension plan investments	87,296.00	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	<u>332,175.00</u>	<u>252,590.00</u>
Total	<u>\$998,835.00</u>	<u>\$829,830.00</u>

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 6. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2017) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended December 31:	
2018	\$67,697.88
2019	102,157.76
2020	61,902.38
2021	(82,330.32)
2022	(60,007.81)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances at December 31, 2017 and 2016 are as follows:

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Collective deferred outflows of resources	\$6,424,455,842	\$8,685,338,380
Collective deferred inflows of resources	5,700,625,981	870,133,595
Collective net pension liability	23,278,401,588	29,617,131,759
Authority's Proportion	0.0123537176%	0.0136528534%

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(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 6. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	2.25 Percent
Salary Increases:	
Through 2026	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.00 Percent

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plans actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 6. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates 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 PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 6. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2017, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 - percentage point lower or 1 - percentage-point higher than the current rate:

	June 30, 2017		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>4.00%</u>	<u>5.00%</u>	<u>6.00%</u>
Authority's proportionate share of the pension liability	\$3,567,560	\$2,875,748	\$2,299,382

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 6. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

NOTE 7. POST RETIREMENT MEDICAL BENEFITS

Authority employees do not receive post – retirement medical benefits.

NOTE 8. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority is a member of the New Jersey Intergovernmental Insurance Fund. (the "Fund"). The Fund is both an insured and self-administered group of governmental entities established for the purpose of providing certain low-cost property, liability, public officials liability and workers' compensation insurance coverage for it's members. The Authority pays an annual assessment to the Fund and should it be determined that payments received by the Fund are deficient, additional assessments may be levied.

The Authority continues to carry commercial insurance coverage for all other risks of loss, including health and accident insurance. There have been no significant reductions in insurance coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 9. INTERLOCAL AGREEMENT

In accordance with provisions of Article VI (Section 6.1) of the Agreement of Sale, Mutual Cooperation and Reciprocal Easements between the Authority and County of Morris, dated December 23, 1993, the County of Morris reimburses the Authority for its pro rata share of electrical costs in connection with the County's portion of the Ann/Bank Garage. Reimbursements for these costs are deposited directly into the Authority's Revenue and Special Account, and are not refunded to the Authority's annual budget.

NOTE 10. CONTINGENT LIABILITIES

Litigation

The Authority is party to certain legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings.

While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Authority, the Authority feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Authority.

NOTE 11. SUBSEQUENT EVENTS

The Authority's management has informed us that there are no significant events that need to be disclosed after the balance sheet date through June 25, 2018 the date of audit.

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

2017

OFFICIALS IN OFFICE

Anthony Lucia	Commissioner – Chairperson
Linda Stamato	Commissioner – Vice-Chairperson
James Gervasio	Commissioner – Treasurer
Margret Brady	Commissioner – Secretary
Richard Tighe	Commissioner – Assistant Secretary/Treasurer
Michael Fabrizio	Executive Director
Mark Axelrod	Director of Operations
Gregory S. Deal	Director of Facilities
Robert S. Goldsmith	Attorney

The above officials were covered by a Crime Coverage-Employee Theft Insurance Binder with a limit of \$1,000,000.00 under the New Jersey Intergovernmental Insurance Fund thru December 31, 2017.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

Schedule of the Authority's Share of the Net Pension Liability-PERS
Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability (Asset)**	0.12353718%	0.01365285%	0.01200316%	0.01223299%
Authority's Proportionate Share of the Net Pension Liability (Asset)**	\$ 2,875,748.00	\$ 4,043,584.00	\$ 2,694,469.00	\$ 2,290,350.00
Authority's Covered Payroll-PERS	\$ 1,085,862.00	\$ 868,016.00	\$ 939,816.00	\$ 841,539.00
Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	264.84%	465.84%	286.70%	272.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.13%	40.13%	47.93%	52.08%

** GASB requires that ten years of information be presented. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

Schedule of Authority's Contributions- PERS
Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 114,444.00	\$ 103,195.00	\$ 100,847.00	\$ 88,482.00
Contributions in Relation to the Contractually Required Contribution	<u>(114,444.00)</u>	<u>(103,195.00)</u>	<u>(100,847.00)</u>	<u>(88,482.00)</u>
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll-PERS	\$ 1,085,862.00	\$ 868,016.00	\$ 939,816.00	\$ 841,539.00
Contributions as a Percentage of Covered Payroll	10.54%	11.89%	10.73%	10.51%

** GASB requires that ten years of information be presented. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

**THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017**

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Changes of Benefit Terms

None

Change in Assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (2.85%) to the current measurement date (3.58%), resulting in a change in the discount rate from 3.98% to 5.00%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

OTHER SUPPLEMENTARY INFORMATION

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

STATEMENT OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES
COMPARED TO THE BUDGET FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE ACTUAL AMOUNTS FOR FISCAL YEAR ENDED DECEMBER 31, 2016)

Revenues	2017 Budget	Realized	Excess or (Deficit)	2016 Actual
Parking Revenues	\$ 4,850,000.00	\$ 6,009,984.53	\$ 1,159,984.53	\$ 5,756,134.27
Other Operating Revenues	1,225,913.00	1,275,237.59	49,324.59	1,277,586.96
Interest on Investments	1,400.00	3,083.18	1,683.18	4,913.20
Fund Balance Utilized	-	-	-	-
	<u>\$ 6,077,313.00</u>	<u>\$ 7,288,305.30</u>	<u>\$ 1,210,992.30</u>	<u>\$ 7,038,634.43</u>

Expenditures	2017 Budget	Transfers	Budget After Transfers	2017 Actual Paid or Charged	Variance	2016 Actual
A. Salaries :						
1. Parking Authority Director	\$48,000.00	\$ -	\$ 48,000.00	\$ 48,000.00	\$ -	\$ 19,999.99
2. Parking Authority Operations Director	28,000.00	-	28,000.00	27,999.84	0.16	27,198.60
3. Parking Authority Operations Director - Old		-				7,799.29
4. Parking Authority Facilities Director	28,000.00	-	28,000.00	27,999.84	0.16	26,879.40
5. Parking Authority Financial Bookkeeper	34,240.00	-	34,240.00	34,000.84	239.16	31,781.00
6. Meter Repair, Collection and General Maintenance	81,600.00	-	81,600.00	80,879.32	720.68	53,281.26
7. Enforcement and Traffic Officers	56,000.00	-	56,000.00	50,710.01	5,289.99	65,779.66
8. Administrative Secretary/Computer Operator	20,400.00	-	20,400.00	20,399.00	1.00	19,280.00
9. Financial Anal/Comp Tech	21,040.00	-	21,040.00	21,039.84	0.16	19,918.60
B. 10 Pine Street Office Building :						
1. Legal	1,500.00	-	1,500.00	600.00	900.00	1,500.00
2. Maintenance	7,500.00	-	7,500.00	6,097.19	1,402.81	5,816.60
3. Administrative	1,000.00	-	1,000.00	198.49	801.51	339.47
4. Utilities/Sewer	12,500.00	-	12,500.00	12,431.18	68.82	14,491.56
5. Taxes	31,500.00	-	31,500.00	30,306.58	1,193.42	29,367.89
6. Insurance	12,000.00	-	12,000.00	9,468.48	2,531.52	9,412.15
7. Auditing Expenses	2,862.00	-	2,862.00	2,862.00	-	2,831.00
8. Management Services	250.00	-	250.00		250.00	-
9. Fixed Rent Payment to Landlord	110,000.00	2,000.00	112,000.00	111,893.85	106.15	108,110.00
10. Monitoring (Security/Fire)	1,000.00	-	1,000.00	1,000.00	-	999.82
C. Maple Avenue Office Building :						
1. Legal	1,500.00	-	1,500.00	1,042.00	458.00	1,050.00
2. Maintenance	5,000.00	-	5,000.00	3,345.60	1,654.40	4,080.00
3. Administrative	7,500.00	-	7,500.00	7,440.69	59.31	9,201.19
4. Electrical Expenses	7,000.00	-	7,000.00	6,800.73	199.27	6,268.58
5. Telephone	40,325.00	(6,000.00)	34,325.00	34,216.97	108.03	27,212.40
6. Taxes	6,000.00	-	6,000.00	5,931.00	69.00	5,931.00
7. Service Contracts	2,500.00	-	2,500.00	1,338.41	1,161.59	2,483.13
8. Legal	4,000.00	-	4,000.00	3,570.00	430.00	3,800.00
9. Maintenance/Cleaning	90,000.00	6,000.00	96,000.00	95,806.61	193.39	97,708.16
10. Electrical	49,000.00	-	49,000.00	47,523.16	1,476.84	48,517.60
11. Water/Sewer	10,000.00	-	10,000.00	10,000.00	-	4,995.79
12. Insurance	30,000.00	-	30,000.00	30,000.00	-	24,357.56
13. Service Contracts	20,000.00	-	20,000.00	19,960.00	40.00	19,999.25
14. Management Services	250.00	-	250.00		250.00	-
15. Auditing Expenses	2,862.00	-	2,862.00	2,862.00	-	2,831.00
16. Monitoring (Security/Fire)	6,500.00	-	6,500.00	6,492.31	7.69	11,085.28

**THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)**

**STATEMENT OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES
COMPARED TO THE BUDGET FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE ACTUAL AMOUNTS FOR FISCAL YEAR ENDED DECEMBER 31, 2016)
(CONTINUED)**

<u>Expenditures (Continued)</u>	<u>2017 Budget</u>	<u>Transfers</u>	<u>Budget After Transfers</u>	<u>2017 Actual Paid or Charged</u>	<u>Variance</u>	<u>2016 Actual</u>
D. Special Services :						
1. Bank Service Charges	\$10,000.00	\$ -	\$10,000.00	\$ 4,007.39	\$ 5,992.61	\$ 6,501.69
2. Legal	10,080.00	-	10,080.00	9,905.22	174.78	10,080.00
3. Auditing Expenses	8,345.00	-	8,345.00	8,345.00	-	8,045.00
4. Parking Consultant's Fee	4,800.00	-	4,800.00	4,782.36	17.64	4,474.11
5. Advertising Expenses	4,000.00	-	4,000.00	3,858.43	141.57	3,614.72
6. Professional Services	450.00	-	450.00	450.00	-	-
7. Trustee Services	6,000.00	-	6,000.00	3,350.00	2,650.00	4,650.00
8. Company Services	90,000.00	-	90,000.00	86,024.43	3,975.57	90,097.71
9. Redevelopment Consultant	30,000.00	-	30,000.00	29,700.00	300.00	36,000.00
E. Maintenance Expenses :						
1. Parking Meter Maintenance and Parts	80,000.00	(7,500.00)	72,500.00	67,167.78	5,332.22	61,274.56
2. Curb, Meter and Lot Maintenance	65,000.00	-	65,000.00	64,570.44	429.56	62,173.47
3. Snow Removal Contingency	30,000.00	(8,000.00)	22,000.00	21,970.89	29.11	29,990.76
4. Parking Lot Improvement Contingency	750.00	-	750.00	24.26	725.74	-
5. Ticket Control and Supplies Surface Lots	12,000.00	-	12,000.00	11,115.30	884.70	6,705.00
6. Tel/Comm Lines Surface Lots	12,000.00	-	12,000.00	10,448.88	1,551.12	5,128.37
F. Administrative Expenses :						
1. Administrative Expenses	22,000.00	3,500.00	25,500.00	22,242.95	3,257.05	25,104.04
2. Parking Validation Program	3,000.00	-	3,000.00	621.42	2,378.58	-
G. Electrical Utility Expenses :						
1. Lots 3R through 14N	9,500.00	-	9,500.00	6,780.08	2,719.92	6,326.58
H. Taxes and Insurance :						
1. F.I.C.A. Contributions	32,000.00	4,500.00	36,500.00	33,641.64	2,858.36	28,097.09
2. Insurance	54,000.00	(2,500.00)	51,500.00	48,853.40	2,646.60	41,301.64
3. State Pension Plan (P.E.R.S.) - Employer Share	35,200.00	15,000.00	50,200.00	47,961.11	2,238.89	33,600.00
4. Hospitalization	110,000.00	9,000.00	119,000.00	118,877.20	122.80	97,767.79
5. Employment Compensation (S.U.I.)	4,100.00	-	4,100.00	2,256.11	1,843.89	2,821.57
6. MPA Dental Plan Contributions	2,240.00	-	2,240.00	2,240.00	-	2,240.00
7. MPA Sick-Time Compensation	15,000.00	-	15,000.00	15,000.00	-	14,282.48
I. Property Leases and Maple Ave.						
1. Speedwell and Flagler - Lot 13M	2,700.00	-	2,700.00	2,700.00	-	2,700.00

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

STATEMENT OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES
COMPARED TO THE BUDGET FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE ACTUAL AMOUNTS FOR FISCAL YEAR ENDED DECEMBER 31, 2016)
(CONTINUED)

Expenditures (Continued)	2017	Transfers	Budget	2017 Actual	Variance	2016
	Budget		After Transfers	Paid or Charged		Actual
J. The Mall @ Cattano Avenue Expenses :						
1. Parking Authority Director	\$ 12,000.00	\$ -	\$ 12,000.00	\$ 12,000.00	\$ -	\$ 5,000.00
2. Parking Authority Operations Director	7,000.00	-	7,000.00	6,999.84	0.16	6,798.90
3. Parking Authority Operations Manager - Old	-	-	-	-	-	1,950.00
4. Parking Authority Facility Director	7,000.00	-	7,000.00	6,999.84	0.16	6,719.00
5. Parking Authority Financial Bookkeeper	8,560.00	-	8,560.00	8,499.91	60.09	7,996.60
6. General Maintenance Personnel	20,400.00	-	20,400.00	20,397.04	2.96	13,357.68
7. Enforcement and Traffic Officers	14,000.00	-	14,000.00	13,999.92	0.08	16,558.52
8. Administrative Secretary/Computer Operator	5,100.00	-	5,100.00	5,100.00	-	4,252.20
9. Financial Analyst/Receptionist	5,260.00	-	5,260.00	5,259.84	0.16	4,979.80
10. Parking Attendants and Extra Help	500.00	-	500.00	500.00	-	500.00
11. Legal Expenses	2,520.00	-	2,520.00	2,462.00	58.00	2,102.00
12. Auditing Expenses	2,086.00	-	2,086.00	2,086.00	-	2,011.00
13. Parking Consultant's Fee	1,200.00	-	1,200.00	1,200.00	-	898.26
14. Advertising Expenses	1,000.00	-	1,000.00	360.00	640.00	153.04
15. Professional Services Contingency	110.00	-	110.00	-	110.00	-
16. Lot Maintenance	25,000.00	-	25,000.00	23,671.08	1,328.92	13,668.54
17. Snow Removal Contingency	6,000.00	-	6,000.00	5,999.54	0.46	5,985.00
18. Parking Lot Contingency	250.00	-	250.00	250.00	-	-
19. Telephone Service	175.00	-	175.00	175.00	-	-
20. Administrative Expenses	3,500.00	-	3,500.00	3,308.60	191.40	3,308.90
21. Ticket Control Supplies and Equipment	8,000.00	-	8,000.00	7,525.00	475.00	7,500.00
22. Electrical Expenses	7,500.00	-	7,500.00	6,869.39	630.61	5,521.10
23. F.I.C.A. Contributions	8,000.00	-	8,000.00	8,000.00	-	7,024.59
24. Insurance	13,600.00	-	13,600.00	13,383.60	216.40	12,877.28
25. State Pension Plan (P.E.R.S.) - Employer Share	8,800.00	4,000.00	12,800.00	12,000.00	800.00	8,400.00
26. Hospitalization	35,000.00	-	35,000.00	29,494.31	5,505.69	27,493.07
27. Unemployment Compensation Insurance	1,000.00	-	1,000.00	446.65	553.35	360.26
28. First Baptist Church Lease	10,000.00	-	10,000.00	9,523.42	476.58	9,523.42
29. MPA Dental Plan Contributions	560.00	-	560.00	560.00	-	560.00
30. Miscellaneous	250.00	-	250.00	-	250.00	250.00
K. Ann/Bank Garage :						
1. Parking Authority Director	22,500.00	-	22,500.00	22,500.00	-	9,186.08
2. Parking Authority Operations Director	13,125.00	-	13,125.00	13,124.88	0.12	12,749.50
3. Parking Authority Operations Manager - Old	-	-	-	-	-	3,656.00
4. Parking Authority Director of Facilities	13,125.00	-	13,125.00	13,124.88	0.12	12,599.89
5. Parking Authority Financial Bookkeeper	16,050.00	-	16,050.00	16,050.00	-	14,438.00
6. General Maintenance Personnel	38,250.00	-	38,250.00	38,249.65	0.35	25,044.90
7. Enforcement and Traffic Officers	26,250.00	-	26,250.00	25,749.95	500.05	31,049.01
8. Administrative Secretary/Computer Operator	9,563.00	-	9,563.00	9,562.98	0.02	9,037.69
9. Financial Analyst/Receptionist	9,863.00	-	9,863.00	9,862.97	0.03	9,337.90
10. Parking Attendants and Extra Help	87,000.00	2,000.00	89,000.00	88,264.84	735.16	81,563.04
11. Legal Expenses	4,725.00	-	4,725.00	4,710.82	14.18	4,725.00
12. Auditing Expenses	3,910.00	-	3,910.00	3,910.00	-	3,770.00
13. Parking Consultant's Fee	2,250.00	-	2,250.00	2,250.00	-	1,685.49
14. Advertising Expenses	1,875.00	-	1,875.00	925.00	950.00	986.96
15. Professional Services Contingency	210.00	-	210.00	210.00	-	-
16. Lot Maintenance	35,000.00	-	35,000.00	33,930.25	1,069.75	35,964.06
17. Snow Removal Contingency	1,500.00	-	1,500.00	1,333.40	166.60	1,455.00
18. Parking Lot Contingency	250.00	-	250.00	250.00	-	-
19. Telephone Service	9,000.00	-	9,000.00	4,318.51	4,681.49	6,403.13
20. Administrative Expenses	4,000.00	-	4,000.00	3,935.80	64.20	3,875.01
21. Ticket Control Supplies and Services	22,000.00	-	22,000.00	21,959.50	40.50	19,066.30
22. Electrical Expenses	60,000.00	(5,000.00)	55,000.00	52,315.63	2,684.37	52,870.07
23. F.I.C.A. Contributions	15,000.00	-	15,000.00	14,999.05	0.95	13,171.15
24. Insurance	25,000.00	-	25,000.00	25,000.00	-	17,000.00
25. State Pension Plan (P.E.R.S.) - Employer Share	16,500.00	-	16,500.00	15,000.00	1,500.00	15,750.00
26. Hospitalization	55,000.00	-	55,000.00	55,000.00	-	45,750.00
27. Unemployment Compensation Insurance	2,000.00	-	2,000.00	837.48	1,162.52	675.50
28. MPA Dental Plan Contributions	1,050.00	-	1,050.00	1,050.00	-	1,050.00
29. Police Officer Security	10,000.00	-	10,000.00	7,347.20	2,652.80	4,032.00
30. Miscellaneous	250.00	-	250.00	-	250.00	250.00

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

STATEMENT OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES
COMPARED TO THE BUDGET FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE ACTUAL AMOUNTS FOR FISCAL YEAR ENDED DECEMBER 31, 2016)
(CONTINUED)

Expenditures (Continued)	2017 Budget	Transfers	Budget After Transfers	2017 Actual Paid or Charged	Variance	2016 Actual
L. Dalton Parking Garage						
1. Parking Authority Director	\$ 30,000.00	\$ -	\$ 30,000.00	\$ 30,000.00	\$ -	\$ 12,500.00
2. Parking Authority Operations Director	17,500.00	-	17,500.00	17,499.98	0.02	16,226.00
3. Parking Authority Operations Manager - Old		-			-	4,874.91
4. Parking Authority Director of Facilities	17,500.00	-	17,500.00	17,499.84	0.16	16,799.40
5. Parking Authority Financial Bookkeeper	21,400.00	-	21,400.00	21,399.94	0.06	19,355.00
6. General Maintenance Personnel	51,000.00	-	51,000.00	50,890.00	110.00	33,398.00
7. Enforcement and Traffic Officers	35,000.00	-	35,000.00	34,999.92	0.08	40,426.57
8. Administrative Secretary/Computer Operator	12,750.00	-	12,750.00	12,750.00	-	12,049.90
9. Financial Analyst/Receptionist	13,150.00	-	13,150.00	13,145.00	5.00	12,449.50
10. Parking Attendants and Extra Help	87,000.00	(3,000.00)	84,000.00	83,409.81	590.19	79,415.00
11. Legal Expenses	6,300.00	-	6,300.00	5,080.32	1,219.68	5,900.05
12. Auditing Expenses	5,215.00	-	5,215.00	5,215.00	-	5,027.00
13. Parking Consultant's Fee	3,000.00	-	3,000.00	2,999.40	0.60	2,245.65
14. Advertising Expenses	2,500.00	-	2,500.00	1,000.00	1,500.00	1,332.62
15. Professional Services Contingency	280.00	-	280.00		280.00	-
16. Lot Maintenance	40,000.00	(2,000.00)	38,000.00	38,908.22	(908.22)	29,031.84
17. Snow Removal Contingency	6,500.00	-	6,500.00	6,496.78	3.22	6,230.00
18. Parking Lot Contingency	250.00	-	250.00	250.00	-	-
19. Telephone Service	5,000.00	-	5,000.00	3,022.21	1,977.79	3,142.97
20. Administrative Expenses	5,000.00	-	5,000.00	4,846.70	153.30	3,345.16
21. Ticket Control Supplies and Services	24,500.00	-	24,500.00	24,360.00	140.00	24,000.00
22. Electrical Expenses	60,000.00	(5,000.00)	55,000.00	51,651.30	3,348.70	37,602.79
23. F.I.C.A. Contributions	20,000.00	-	20,000.00	19,997.06	2.94	17,561.49
24. Insurance	34,000.00	-	34,000.00	29,459.00	4,541.00	31,500.00
25. State Pension Plan (P.E.R.S.) - Employer Share	22,000.00	3,000.00	25,000.00	25,000.00	-	21,000.00
26. Hospitalization	75,000.00	-	75,000.00	73,735.86	1,264.14	61,080.04
27. Unemployment Compensation Insurance	2,600.00	-	2,600.00	1,116.61	1,483.39	900.63
28. MPA Dental Plan Contributions	1,400.00	-	1,400.00	1,400.00	-	1,400.00
29. Miscellaneous	250.00	-	250.00		250.00	250.00

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

STATEMENT OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES
COMPARED TO THE BUDGET FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE ACTUAL AMOUNTS FOR FISCAL YEAR ENDED DECEMBER 31, 2016)
(CONTINUED)

Expenditures (Continued)	2017	Transfers	Budget	2017 Actual	Variance	2016
	Budget		After Transfers	Paid or Charged		Actual
M. DeHart Street Garage						
1. Parking Authority Director	33,000.00	\$ -	\$ 33,000.00	\$ 33,000.00	\$ -	\$ 13,750.00
2. Parking Authority Operations Director	19,250.00	-	19,250.00	19,249.92	0.08	18,699.80
3. Parking Authority Operations Manager - Old	-	-	-	-	-	5,361.99
4. Parking Authority Director of Facilities	19,250.00	-	19,250.00	19,249.92	0.08	18,480.00
5. Parking Authority Financial Bookkeeper	23,540.00	-	23,540.00	23,539.92	0.08	21,501.60
6. General Maintenance Personnel	56,100.00	-	56,100.00	56,045.50	54.50	36,739.00
7. Enforcement and Traffic Officers	38,500.00	-	38,500.00	38,499.84	0.16	44,790.42
8. Administrative Secretary/Computer Operator	14,025.00	-	14,025.00	14,024.88	0.12	13,255.00
9. Financial Analyst/Receptionist	14,465.00	-	14,465.00	14,464.80	0.20	13,694.60
10. Parking Attendants and Extra Help	110,000.00	-	110,000.00	109,068.74	931.26	100,282.19
11. Legal Expenses	6,930.00	-	6,930.00	3,941.34	2,988.66	6,929.57
12. Auditing Expenses	5,737.00	-	5,737.00	5,737.00	-	5,530.00
13. Parking Consultant's Fee	3,300.00	-	3,300.00	3,291.95	8.05	2,470.72
14. Advertising Expenses	3,000.00	-	3,000.00	1,041.70	1,958.30	1,020.91
15. Professional Services Contingency	310.00	-	310.00	310.00	-	-
16. Lot Maintenance	40,000.00	-	40,000.00	39,792.69	207.31	28,151.42
17. Snow Removal Contingency	15,000.00	(5,000.00)	10,000.00	8,665.20	1,334.80	11,355.30
18. Parking Lot Contingency	250.00	-	250.00	-	250.00	-
19. Telephone Service	7,500.00	-	7,500.00	3,830.17	3,669.83	4,925.01
20. Administrative Expenses	6,000.00	-	6,000.00	5,860.62	139.38	2,508.92
21. Ticket Control Supplies and Services	40,000.00	-	40,000.00	38,386.00	1,614.00	30,569.40
22. Electrical Expenses	90,000.00	-	90,000.00	90,000.00	-	88,834.29
23. F.I.C.A. Contributions	22,000.00	-	22,000.00	22,000.00	-	19,317.51
24. Insurance	37,000.00	(22,000.00)	15,000.00	12,812.15	2,187.85	30,901.86
25. State Pension Plan (P.E.R.S.) - Employer Share	25,000.00	7,000.00	32,000.00	30,000.00	2,000.00	23,100.00
26. Hospitalization	65,000.00	16,000.00	81,000.00	80,830.58	169.42	67,268.48
27. Unemployment Compensation Insurance	2,800.00	-	2,800.00	1,228.27	1,571.73	990.70
28. MPA Dental Plan Contributions	1,540.00	-	1,540.00	1,540.00	-	1,540.00
29. Police Officer Security	30,000.00	-	30,000.00	29,735.11	264.89	33,071.52
30. Miscellaneous/Convention Workshop	250.00	-	250.00	-	250.00	-
N. Vail Parking Facilities:						
1. Parking Authority Director	4,500.00	-	4,500.00	4,500.00	-	1,874.97
2. Parking Authority Operations Director	2,625.00	-	2,625.00	2,624.88	0.12	2,549.86
3. Parking Authority Operations Manager - Old	-	-	-	-	-	732.00
4. Parking Authority Director of Facilities	2,625.00	-	2,625.00	2,624.88	0.12	2,519.80
5. Parking Authority Financial Bookkeeper	3,210.00	-	3,210.00	3,210.00	-	2,996.42
6. General Maintenance Personnel	7,650.00	-	7,650.00	7,650.00	-	5,009.50
7. Enforcement and Traffic Officers	5,250.00	-	5,250.00	5,250.00	-	6,208.39
8. Administrative Secretary/Computer Operator	1,912.00	-	1,912.00	1,911.84	0.16	1,806.36
9. Financial Analyst/Receptionist	1,972.00	-	1,972.00	1,971.84	0.16	1,866.41
10. Parking Attendants and Extra Help	11,000.00	-	11,000.00	11,000.00	-	9,980.00
11. Legal Expenses	945.00	-	945.00	255.00	690.00	944.50
12. Auditing Expenses	783.00	-	783.00	783.00	-	755.00
13. Parking Consultant's Fee	450.00	-	450.00	440.79	9.21	331.02
14. Advertising Expenses	625.00	-	625.00	245.00	380.00	57.38
15. Professional Services Contingency	50.00	-	50.00	50.00	-	-
16. Lot Maintenance and Service Contracts	15,000.00	-	15,000.00	14,830.33	169.67	9,698.56
17. Snow Removal Contingency	4,500.00	-	4,500.00	4,500.00	-	4,473.25
18. Parking Lot Contingency	250.00	-	250.00	-	250.00	160.00
19. Telephone Service	6,000.00	-	6,000.00	1,759.88	4,240.12	5,281.48
20. Administrative Expenses	3,000.00	-	3,000.00	2,388.22	611.78	4,266.78
21. Ticket Control Supplies and Services	5,000.00	-	5,000.00	4,873.75	126.25	3,263.35
22. Electrical Expenses	7,500.00	-	7,500.00	7,437.96	62.04	5,283.44
23. F.I.C.A. Contributions	3,000.00	-	3,000.00	2,997.54	2.46	2,635.57
24. Insurance	5,600.00	-	5,600.00	5,598.85	1.15	3,027.66
25. State Pension Plan (P.E.R.S.) - Employer Share	3,150.00	-	3,150.00	635.00	2,515.00	1,345.00
26. Hospitalization	15,000.00	-	15,000.00	11,468.05	3,531.95	11,016.20
27. Unemployment Compensation Insurance	400.00	-	400.00	167.47	232.53	135.07
28. MPA Dental Plan Contributions	210.00	-	210.00	210.00	-	210.00
29. Miscellaneous	250.00	-	250.00	-	250.00	250.00

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

STATEMENT OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES
COMPARED TO THE BUDGET FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE ACTUAL AMOUNTS FOR FISCAL YEAR ENDED DECEMBER 31, 2016)
(CONCLUDED)

Expenditures (Continued)	2017 Budget	Transfers	Budget After Transfers	2017 Actual Paid or Charged	Variance	2016 Actual
Digital Assurance				2,500.00	(2,500.00)	
Defined Contribution Retirement Plan				15,273.14	(15,273.14)	
Annual Pension Bill 2017 Accrual				\$ 122,614.93	(122,614.93)	\$ 121,290.00
O. Miscellaneous	31,090.00	\$ -	25,090.00	29,401.17	(4,311.17)	18,208.14
	<u>\$ 3,625,000.00</u>	<u>\$ -</u>	<u>\$ 3,625,000.00</u>	<u>\$ 3,633,156.77</u>	<u>\$ (8,156.77)</u>	<u>\$ 3,282,435.44</u>
Debt Service:						
Principal	1,000,000.00	-	1,000,000.00	1,000,000.00	-	970,000.00
Interest	1,452,313.00	-	1,452,313.00	861,457.52	590,855.48	1,486,612.54
	<u>2,452,313.00</u>	<u>-</u>	<u>2,452,313.00</u>	<u>1,861,457.52</u>	<u>590,855.48</u>	<u>2,456,612.54</u>
	<u>\$ 6,077,313.00</u>	<u>\$ -</u>	<u>\$ 6,077,313.00</u>	<u>\$ 5,494,614.29</u>	<u>\$ 582,698.71</u>	<u>\$ 5,739,047.98</u>
Excess (Deficit) of Revenues over Expenses				\$ 1,793,691.01		\$ 1,299,586.45
Reconciliation of Budgetary to GAAP Basis:						
Depreciation Expense				\$ (1,050,565.72)		(1,061,858.98)
Net Adjustment for Pension Expense				(116,818.59)		(469,121.00)
Debt Service Principal				1,000,000.00		970,000.00
Cost of Issuance on Refunding Bonds				(205,828.92)		0.00
Debt Service Reserve Utilized in Refunding				(1,482,023.41)		0.00
Accrued Interest on Debt				98,575.40		14,291.67
Budget Appropriation-Dental Plan				7,000.00		7,000.00
Payment of Claims-Dental Plan				(9,920.19)		(7,149.50)
Miscellaneous Deposits				10,570.40		255,716.00
Miscellaneous Disbursements				(10,637.20)		(356,627.90)
Non-Capitalized Expenditures				(835,383.72)		(460,018.98)
Capitalized Expenditures				778,526.03		
Non-Operating Interest Earned				7,179.09		5,654.74
Capital Contributions						946,000.00
Unamortized Gain on Refunding				16,013.27		(12,438.90)
Total Adjustments				<u>(1,793,313.56)</u>		<u>(168,552.85)</u>
Change in Net Position				<u>377.45</u>		<u>1,468,139.30</u>

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - RESTRICTED AND UNRESTRICTED

	Net Investment in Capital Assets and Unrestricted	Current Debt Service	Future Debt Service	Reserve for Operations	Future Improvements	Employees Dental Plan	Ann/Bank Schuyler Permit	DeHart Street Permit	The Mall @ Cattaraugus Ave. Permit	Dalton Garage Permit	Parker Refund Account	Totals 2017
Operating Revenues:												
On and Off Street Revenues	\$ 6,009,984.53	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,009,984.53
Other Operating Revenues	1,275,237.59	-	-	-	-	-	-	-	-	-	-	1,275,237.59
Total Operating Revenue	<u>7,285,222.12</u>											<u>7,285,222.12</u>
Operating Expenses:												
Administrative and Maintenance	3,749,975.36											3,749,975.36
Depreciation	1,050,565.72											1,050,565.72
	4,800,541.08											4,800,541.08
Operating Income	<u>2,484,681.04</u>											<u>2,484,681.04</u>
Non Operating Revenues and (Expenses):												
Interest Income	632.06											632.06
Interest Expense		2,451.12	7,179.09									10,262.27
Payment of Claims		(762,882.12)										(762,882.12)
2017 Budget Appropriations						(9,920.19)						(9,920.19)
Cost of Issuance on Refunding Bonds						7,000.00						7,000.00
Debt Service Reserve Utilized in Refunding	(205,828.92)		(1,482,023.41)									(205,828.92)
Non-capitalized Expenditures					(835,363.72)							(835,363.72)
Miscellaneous Receipts							210.00	3,165.00	585.00	6,610.40		10,570.40
Miscellaneous Disbursements	16,013.27						(435.00)	(5,400.00)	(1,395.00)	(3,040.40)		(10,637.20)
Unamortized Gain on Refunding	778,526.03											778,526.03
Capitalization of Assets	3,074,023.48		(1,474,844.32)							3,570.00		16,013.27
Net Income (Deficit) Before Transfers		(760,431.00)			(835,363.72)	(2,920.19)	(225.00)	(2,235.00)	(610.00)			778,526.03
Transfers:												
Transfers	(823,727.45)	(492,059.85)	11,609.32		1,304,178.00							377.45
Increase (Decrease) in Retained Earnings	2,250,296.02	(1,252,480.86)	(1,463,235.00)		468,794.28	(2,920.19)	(225.00)	(2,235.00)	(610.00)	3,570.00		377.45
Retained Earnings January 1	7,248,873.96	1,673,324.19	2,467,600.00	50,000.00	2,787,959.89	12,067.66	11,485.00	21,090.00	6,150.00	16,350.00		14,295,282.49
Retained Earnings December 31	<u>9,499,169.98</u>	<u>\$ 420,833.33</u>	<u>\$ 1,004,365.00</u>	<u>\$ 50,000.00</u>	<u>\$ 3,256,754.16</u>	<u>\$ 9,147.47</u>	<u>\$ 11,260.00</u>	<u>\$ 18,855.00</u>	<u>\$ 5,340.00</u>	<u>\$ 19,920.00</u>	<u>\$ 15.00</u>	<u>\$ 14,295,659.94</u>
Investment in Capital Assets	10,928,171.77											
Unrestricted Undesignated	-1,429,001.79											
Total	<u>9,499,169.98</u>											

**THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)**

**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED ACCOUNTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

	Trustee Revenue <u>Account</u>	Revenue Operating <u>Account</u>	Revolving Change <u>Fund</u>	Payroll <u>Account</u>	<u>Total</u>
Cash and Cash Equivalents January 1, 2017	\$ 904,512.56	\$ (19,324.79)	\$ 4,678.05	\$ 12,663.76	\$ 902,529.58
Cash Receipts:					
Total Parking Revenues Realized	6,403,503.66				6,403,503.66
Transfers from Trustee Revenue Account	(3,762,535.87)	3,762,535.87			-
Change Machine Deposits			236,048.00		236,048.00
Deposits for Net Pay and Agencies				1,598,978.30	1,598,978.30
County - Electric	18,313.42				18,313.42
Solar Renewable Energy Credits	32,563.50				32,563.50
Applied Ground Lease	155,000.00				155,000.00
Office Rents	1,066,921.72	-	-	-	1,066,921.72
Total Cash and Investments Available	<u>4,818,278.99</u>	<u>3,743,211.08</u>	<u>240,726.05</u>	<u>1,611,642.06</u>	<u>10,413,858.18</u>
Cash Disbursements:					
Budget Appropriations		3,499,306.15			3,499,306.15
Accounts Payable		243,904.93			243,904.93
Advances to Change Machines			240,500.00		240,500.00
Budget Refunds	650.00				650.00
Payments to Employees and Agencies				1,604,849.17	1,604,849.17
Transfer to Restricted Accounts	3,858,646.20	-	-	-	3,858,646.20
Total Cash Disbursements	<u>3,859,296.20</u>	<u>3,743,211.08</u>	<u>240,500.00</u>	<u>1,604,849.17</u>	<u>9,447,856.45</u>
Cash and Equivalents December 31, 2017	<u>\$ 958,982.79</u>	<u>\$ -</u>	<u>\$ 226.05</u>	<u>\$ 6,792.89</u>	<u>\$ 966,001.73</u>
Analysis of Balance:					
Unrestricted	\$ 958,982.79	\$ -	\$ 226.05	\$ 6,792.89	\$ 966,001.73
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ 958,982.79</u>	<u>\$ -</u>	<u>\$ 226.05</u>	<u>\$ 6,792.89</u>	<u>\$ 966,001.73</u>
Balance Comprised of:					
Cash and Cash Equivalents	\$ 958,982.79	\$ -	\$ 226.50	\$ 6,792.89	966,002.18
Money Market Funds	-	-	-	-	-
	<u>\$ 958,982.79</u>	<u>\$ -</u>	<u>\$ 226.50</u>	<u>\$ 6,792.89</u>	<u>\$ 966,002.18</u>

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENTS
RESTRICTED ACCOUNTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

	Accounts Required By Revenue Bond Agreement										Other Accounts					
	Current	Future	Maple Avenue Construction Account	2017 Cost of Issuance	2017 Renewal and Reserve	Future Redevelopment Account	2002 Reserve and Replacement Account	Reserve for Operations	Improvement Account	Employee Dental Plan Account	Ann/Bank Permit Escrow Account	Caltano Avenue Escrow Account	DeHart Street Escrow Account	Dalton Garage Escrow Account	Parker Refund Account	Total
Cash and Cash Equivalents January 1, 2017	\$1,673,324.19	\$2,498,766.99	\$ 81,891.39			\$1,476,899.00	\$220,628.79	\$50,000.00	\$ 716,215.90	\$12,067.86	\$11,485.00	\$8,150.00	\$21,090.00	\$16,350.00	\$ 381.80	\$6,775,251.72
Cash Receipts:																
Interest on Investments	2,451.12	7,179.09				573.81	632.06			7,000.00						10,836.08
2017 Budget Appropriation				210,808.36					830,000.00					6,610.40		7,000.00
Scan Card Fees Held in Escrow					183,958.50	735,000.00	1,481.17		50,000.00						1,646.20	10,570.40
Bond Proceeds																210,808.36
Transfers from Unrestricted Accounts	2,282,000.00															3,858,646.20
Transfers Between Accounts	3,967,775.31	2,493,946.08	81,891.39	210,808.36	183,958.50	2,212,472.81	222,753.02	50,000.00	1,598,215.90	19,067.86	11,595.00	6,735.00	24,255.00	22,960.40	2,028.00	235,449.87
Total Cash and Investments Available																11,108,562.43
Cash Disbursements:																
Payment of Claims						57,431.50			778,526.03	9,920.19						9,920.19
Bond Interest	861,457.52															861,457.52
Bond Principal	735,000.00															735,000.00
Miscellaneous				208,487.28												
Forfeiture of Scan Card Deposits		6,320.17								435.00				1,840.40	2,013.00	221,150.85
Additions to Property, Plant and Equipment														1,200.00		5,940.00
Non-Capitalized Expenditures																
Transfer to 2017 Refunding Escrow	1,033,493.34	1,482,023.41														
Transfers Between Accounts	1,491.17															
Total Cash Disbursements	2,691,442.03	1,488,343.58		208,487.28		50,000.00			778,526.03	9,920.19	435.00	1,395.00	5,400.00	3,040.40	2,013.00	5,236,434.01
Cash and Cash Equivalents December 31, 2017	\$1,336,333.28	\$1,005,602.50	\$ 81,891.39	\$ 2,321.08	\$183,958.50	\$2,105,041.31	\$222,753.02	\$50,000.00	\$ 819,689.87	\$ 9,147.47	\$11,260.00	\$5,340.00	\$18,855.00	\$19,920.00	\$ 15.00	\$5,872,128.42
Analysis of Balance:																
Unrestricted	\$ 408,945.13	\$ 1,237.50		\$ 2,321.08	\$183,958.50		\$ 2,123.23									\$ 598,565.44
Restricted	\$ 927,388.15	\$1,004,365.00	\$ 81,891.39			\$2,105,041.31	\$220,628.79	\$50,000.00	\$ 819,689.87	\$ 9,147.47	\$11,260.00	\$5,340.00	\$18,855.00	\$19,920.00	\$ 15.00	\$5,273,542.98
Total	\$1,336,333.28	\$1,005,602.50	\$ 81,891.39	\$ 2,321.08	\$183,958.50	\$2,105,041.31	\$222,753.02	\$50,000.00	\$ 819,689.87	\$ 9,147.47	\$11,260.00	\$5,340.00	\$18,855.00	\$19,920.00	\$ 15.00	\$5,872,128.42
Balance Compsied of:																
Cash and Cash Equivalents	\$1,336,333.28	\$1,005,602.50	\$ 81,891.39	\$ 2,321.08	\$183,958.50	\$2,105,041.31	\$222,753.02	\$50,000.00	\$ 819,689.87	\$ 9,147.47	\$11,260.00	\$5,340.00	\$18,855.00	\$19,920.00	\$ 15.00	\$5,872,128.42

**THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)**

**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENTS
CURRENT DEBT SERVICE ACCOUNTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

	2007 Bond <u>Issue</u>	2011 Bond <u>Issue</u>	<u>Total</u>
Cash and Investments January 1, 2017	\$ 897,201.20	\$ 776,122.99	\$ 1,673,324.19
Cash Receipts:			
Interest on Investments	990.81	1,460.31	2,451.12
Transfer from Net Revenue Trustee	<u>727,000.00</u>	<u>1,565,000.00</u>	<u>2,292,000.00</u>
Total Cash and Investments Available	<u>1,625,192.01</u>	<u>2,342,583.30</u>	<u>3,967,775.31</u>
Cash Disbursements:			
Bond Principal		735,000.00	735,000.00
Bond Interest	590,855.02	270,602.50	861,457.52
Transfer to 2017 Refunding Escrow	1,033,493.34		1,033,493.34
Transfer to 2002 Reserve and Replacement Trustee	<u>843.65</u>	<u>647.52</u>	<u>1,491.17</u>
	<u>1,625,192.01</u>	<u>1,006,250.02</u>	<u>2,631,442.03</u>
Cash and Investments December 31, 2017	<u>\$ -</u>	<u>\$ 1,336,333.28</u>	<u>\$ 1,336,333.28</u>
Analysis of Balance:			
Unrestricted			
Restricted			
Total			
Balance Comprised of:			
Investments:			
Money Market Funds	<u>\$ -</u>	<u>\$ 1,336,333.28</u>	<u>\$ 1,336,333.28</u>

**THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)**

**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENTS
FUTURE DEBT SERVICE ACCOUNTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

	2007 Bond <u>Issue</u>	2011 Bond <u>Issue</u>	<u>Total</u>
Cash and Investments January 1, 2017	\$ 1,477,756.94	\$ 1,009,010.05	\$ 2,486,766.99
Cash Receipts:			
Interest on Investments	<u>4,266.47</u>	<u>2,912.62</u>	<u>7,179.09</u>
Cash Disbursement:			
Transferred to General Fund		6,320.17	6,320.17
Transferred to Refunding Escrow	<u>1,482,023.41</u>		<u>1,482,023.41</u>
Total Disbursements	<u>1,482,023.41</u>	<u>6,320.17</u>	<u>1,488,343.58</u>
 Cash and Investments December 31, 2017	 <u>\$ -</u>	 <u>\$ 1,005,602.50</u>	 <u>\$ 1,005,602.50</u>
Analysis of Balance:			
Unrestricted			
Restricted			
Total			
Balance Comprised of:			
Investments:			
Money Market Funds		<u>\$ 1,005,602.50</u>	<u>\$ 1,005,602.50</u>

**THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)**

SCHEDULE OF COMPARATIVE ANALYSIS OF REVENUES REALIZED

	12 Months Ending		Increase or (Decrease)	Percent Change
	December 31, 2017	December 31, 2016		
Off Street				
DeHart Street	\$ 1,754,733.85	\$ 1,638,624.32	\$ 116,109.53	7.09%
Lot 3-R Railroad (Rear)	159,283.73	132,388.91	26,894.82	20.32%
Lot 6-F Speedwell Ave./Early St. (1)	-	5,394.49	(5,394.49)	-100.00%
Lot 6-R (1)	-	2,400.00	(2,400.00)	-100.00%
Lot 8-H Elm Street	63,002.36	55,942.14	7,060.22	12.62%
Lot 9-I Vail	120,315.16	114,963.19	5,351.97	4.66%
Lot 10-J Post Office	210,648.58	212,105.76	(1,457.18)	-0.69%
Lot 12-L Ann/Bank Garage	792,013.51	665,610.10	126,403.41	18.99%
Lot 13-M Flagler Street	3,515.28	3,924.56	(409.28)	-10.43%
Lot 14-N Sussex Avenue	4,581.13	3,657.86	923.27	25.24%
Lot 15	12,695.59	11,253.71	1,441.88	12.81%
The Mall @ Cattano Avenue	261,160.00	257,369.00	3,791.00	1.47%
Dalton Garage	743,490.41	853,610.44	(110,120.03)	-12.90%
Total Off Street	<u>4,125,439.60</u>	<u>3,957,244.48</u>	168,195.12	4.25%
On Street	1,127,884.57	1,071,630.71	56,253.86	5.25%
Meter Cards	78,566.00	44,105.00	34,461.00	78.13%
Miscellaneous	42,746.46	52,467.28	(9,720.82)	-18.53%
Validation Program	76,824.57	88,520.58	(11,696.01)	-13.21%
Morristown Green	180,000.00	165,000.00	15,000.00	9.09%
Granite, LLC	171,548.84	170,442.83	1,106.01	0.65%
Washington/Cattano	63,903.00	63,900.00	3.00	0.00%
Parking Debit Cards	143,071.49	142,823.39	248.10	0.17%
Total Parking Revenues	<u>6,009,984.53</u>	<u>5,756,134.27</u>	253,850.26	4.41%
Other Operating/Revenue Fund Income:				
Interest Earned - Debt Service Fund	2,451.12	4,383.02	(1,931.90)	-44.08%
Interest Earned - General Reserve and Replacement Fund	632.06	530.18	101.88	19.22%
County - Electric	18,313.42	-	18,313.42	100.00%
Solar Renewable Energy Credits	32,563.50	-	32,563.50	100.00%
Applied Ground Lease	155,000.00	155,000.00	-	0.00%
Office Rents	1,069,360.67	1,122,586.96	(53,226.29)	-4.74%
Total Other Revenues	<u>1,278,320.77</u>	<u>1,282,500.16</u>	(4,179.39)	-0.33%
Interest Earned - Non Operating Funds:				
Future Debt Service	7,179.09	5,654.74	1,524.35	26.96%
Total Interest Earned	<u>7,179.09</u>	<u>5,654.74</u>	1,524.35	26.96%
	<u>\$ 7,295,484.39</u>	<u>\$ 7,044,289.17</u>	<u>\$ 251,195.22</u>	<u>3.57%</u>

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

SCHEDULE OF ANALYSIS OF REVENUES REALIZED
FISCAL YEAR ENDED DECEMBER 31, 2017

	Monthly Permit and Meter Revenue	Space Leases	Meter Cards	Miscellaneous	Total
DeHart Street	\$ 1,754,733.85				\$ 1,754,733.85
Lot 3-R	149,608.73	9,675.00			159,283.73
Lot 8-H	63,002.36				63,002.36
Lot 9-I Vail	120,315.16				120,315.16
Lot 10-J	210,648.58				210,648.58
Lot 12-L Ann/Bank Garage	792,013.51				792,013.51
Lot 13-M	3,515.28				3,515.28
Lot 14-N	4,581.13				4,581.13
Lot 15	12,695.59				12,695.59
Cattano Avenue Mall	261,160.00				261,160.00
Dalton Garage	743,490.41				743,490.41
	<u>4,115,764.60</u>	<u>9,675.00</u>			<u>4,125,439.60</u>
On Street:					
Zone 1	846,334.53				846,334.53
Zone II	281,550.04				281,550.04
Meter Cards			78,566.00		78,566.00
Miscellaneous				42,746.46	42,746.46
Validation Program				76,824.57	76,824.57
Morristown Green				180,000.00	180,000.00
Granite, LLC				171,548.84	171,548.84
Washington/Cattano				63,903.00	63,903.00
Parking Debit Cards				143,071.49	143,071.49
County - Electric				18,313.42	18,313.42
Solar Renewable Energy Credits				32,563.50	32,563.50
Applied Ground Lease				155,000.00	155,000.00
Office Rents				1,069,360.67	1,069,360.67
Interest Earned - Current Debt Service Fund				990.81	990.81
Interest Earned - General Reserve & Replacement Fund				632.06	632.06
	<u>\$ 5,243,649.17</u>	<u>\$ 9,675.00</u>	<u>\$ 78,566.00</u>	<u>\$ 1,954,954.82</u>	<u>\$ 7,286,844.99</u>

**THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)**

SCHEDULE OF PARKING ACCOUNTS RECEIVABLE

Balance January 1, 2017	\$ 23,552.95
Increased by:	
Revenue Realized in 2017	86,736.69
	<u>110,289.64</u>
Decreased by:	
Received in 2017	<u>23,552.95</u>
Balance December 31, 2017	<u>\$ 86,736.69</u>

Analysis of Balance December 31, 2017

Elite Corp. Housing	\$ 360.00
Affiliated Collections	1,200.00
31 Pine Street	221.23
Monroe Properties	14,762.32
County of Morris	5,396.00
40 Park Place	5,803.77
US Army	2,880.00
The Hampshire Companies	10,000.00
Validations	32,704.97
Other	<u>13,408.40</u>
	<u>\$ 86,736.69</u>

**THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)**

SCHEDULE OF RENTS ACCOUNTS RECEIVABLE

Balance January 1, 2017	\$ 11,445.88
Increased by:	
Revenue Realized in 2017	<u>1,069,360.67</u>
	1,080,806.55
Decreased by:	
Received in 2017	<u>1,066,921.72</u>
Balance December 31, 2017	<u>\$ 13,884.83</u>

Analysis of Balance December 31, 2017

Dan Somers	\$ 1,980.00
Geraldine Dodge	1,185.02
Fannie Rippel	437.49
The Seeing Eye	2,560.18
Morristown Partnership	<u>7,722.14</u>
	<u>\$ 13,884.83</u>

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

SCHEDULE OF OTHER ACCOUNTS RECEIVABLE

Balance January 1, 2017	\$ 290,323.80
Decreased By:	
Cash Received	<u>260,822.00</u>
Balance December 31, 2017	<u>\$ 29,501.80</u>
<u>Analysis of Balance December 31, 2017</u>	
Morristown Partnership	<u>29,501.80</u>
	<u>\$ 29,501.80</u>

**THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)**

SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

Balance January 1, 2017	\$	54,539,944.13
Increased by:		
2017 Construction Expenditures		<u>778,526.03</u>
Balance December 31, 2017	\$	<u>55,318,470.16</u>

**THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)**

SCHEDULE OF ACCOUNTS PAYABLE

Balance January 1, 2017	\$	243,904.93
Increased by:		
Accounts Payable Charged to 2017 Budget		<u>317,868.09</u>
		561,773.02
Decreased by:		
Accounts Payable Paid in 2017		<u>243,904.93</u>
		243,904.93
Balance December 31, 2017	\$	<u><u>317,868.09</u></u>
 <u>Analysis of Balance December 31, 2017</u>		
Operating	\$	203,424.09
Pension		<u>114,444.00</u>
	\$	<u><u>317,868.09</u></u>

**THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)**

SCHEDULE OF PREPAID REVENUES

Balance January 1, 2017	\$	65,167.30
Increased by:		
Received in 2017		63,436.50
		128,603.80
Decreased by:		
Applied in 2017		65,167.30
		65,167.30
Balance December 31, 2017	\$	63,436.50
 <u>Analysis of Balance December 31, 2017</u>		
All County Rental Center		150.00
Fannie E. Rippel		11,565.50
Automatic Charges January Parking		51,721.00
		51,721.00
	\$	63,436.50

**THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)**

**SCHEDULE OF REVENUE SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

Issue	Original		Interest Rate	Maturities		Balance Jan. 1, 2017	Issued 2017	Redeemed 2017	Balance Dec. 31, 2017
	Date	Amount		Date	Amount				
Revenue of 2007	7/1/2007	\$ 27,180,000.00				\$ 25,135,000.00		\$ 25,135,000.00	\$ -
Refunding of 2011	8/16/2011	9,890,000.00	4.000%	8/1/2018	755,000.00	7,615,000.00		735,000.00	8,860,000.00
			4.000%	8/1/2019	785,000.00				
			4.000%	8/1/2020	815,000.00				
			3.000%	8/1/2021	850,000.00				
			3.250%	8/1/2022	875,000.00				
			3.450%	8/1/2023	900,000.00				
			3.600%	8/1/2024	935,000.00				
Refunding of 2017 Series A	6/16/2017	12,005,000.00	2.750%	8/1/2029	1,020,000.00		12,005,000.00		12,005,000.00
			3.000%	8/1/2030	1,230,000.00				
			3.000%	8/1/2031	1,265,000.00				
			3.200%	8/1/2032	1,305,000.00				
			3.200%	8/1/2033	1,345,000.00				
			3.200%	8/1/2034	1,390,000.00				
			3.450%	8/1/2035	1,435,000.00				
			3.450%	8/1/2036	1,480,000.00				
			3.450%	8/1/2037	1,535,000.00				
			Refunding of 2017 Series B	6/16/2017	4,005,000.00				
2.228%	8/1/2020	65,000.00							
2.620%	8/1/2021	65,000.00							
2.770%	8/1/2022	65,000.00							
2.983%	8/1/2023	75,000.00							
3.083%	8/1/2024	70,000.00							
3.273%	8/1/2025	75,000.00							
3.323%	8/1/2026	1,080,000.00							
3.423%	8/1/2027	1,115,000.00							
3.523%	8/1/2028	1,155,000.00							
Refunding of 2017 Series C	6/16/2017	7,845,000.00	3.000%	8/1/2018	255,000.00		7,845,000.00		7,845,000.00
			4.000%	8/1/2019	295,000.00				
			4.000%	8/1/2020	305,000.00				
			4.000%	8/1/2021	315,000.00				
			4.000%	8/1/2022	330,000.00				
			4.000%	8/1/2023	340,000.00				
			4.000%	8/1/2024	355,000.00				
			2.125%	8/1/2025	370,000.00				
			2.250%	8/1/2026	375,000.00				
			2.500%	8/1/2027	385,000.00				
			2.625%	8/1/2028	395,000.00				
			2.750%	8/1/2029	405,000.00				
			3.000%	8/1/2030	415,000.00				
			3.000%	8/1/2031	430,000.00				
			3.200%	8/1/2032	445,000.00				
			3.200%	8/1/2033	455,000.00				
			3.200%	8/1/2034	470,000.00				
3.450%	8/1/2035	485,000.00							
3.450%	8/1/2036	500,000.00							
3.450%	8/1/2037	520,000.00							
						\$ 32,750,000.00	\$ 23,855,000.00	\$ 25,870,000.00	\$ 30,735,000.00

**REPORTS PURSUANT TO GOVERNMENT AUDITING
STANDARDS**

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973-579-3212
Fax 973-579-7128

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

Honorable Chairman and Members
The Parking Authority of the Town of Morristown
Morristown, New Jersey 07960

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; 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 Parking Authority of the Town of Morristown (A Component Unit of the Town of Morristown), as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (Findings 2017-1 through 2017-4).

Honorable Chairperson and Members
The Parking Authority of the Town of Morristown
Page 2.

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. We did not identify any deficiencies in internal control over compliance that we considered to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Parking Authority of the Town of Morristown's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Management's Response to Findings

The Parking Authority of the Town of Morristown's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Ferraioli, Wielkatz, Cerullo & Cova, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Newton, New Jersey

June 25, 2018

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

Finding 2017-001:

Conditions:

The Authority's general ledger was not inclusive of all the general ledger accounts.

Criteria:

N.J. Administrative Code Section 5:31-7.1 Accounting and Financial Reporting system requires a properly functioning system of accounting and accounting controls.

Cause:

The Authority has not established an accounting system and internal controls in accounting with N.J. Administrative Code and Good Accounting Practices.

Effect:

The Authority's general ledger required material journal entries to correctly reflect the financial statement balances at the end of the year.

Recommendation:

That the Authority establish a properly functioning accounting and financial reporting system of accounting and accounting controls in accordance with the N.J. Administrative Code.

Authority Response:

The Authority will work with its auditor to establish an accounting system and internal controls that will be in accordance with N.J. Administrative Code and good accounting practices.

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Finding 2017-002:

Conditions:

The Authority's accounting system should be on an accrual basis.

Criteria:

Generally Accepted Accounting Principals ("GAAP") requires its records to be on an accrual basis.

Cause:

The Authority does not enter year end accounts receivable or payable in its books of original entry.

Effect:

The Authority's general ledger required material journal entries to correctly reflect the financial statement balances at the end of the year.

Recommendation:

That the Authority record all accruals in the general ledger in conformance with GAAP.

Authority Response:

The Authority will work with its auditor to establish an accounting system and internal controls that will be in accordance with N.J. Administrative Code and GAAP.

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Finding 2017-003:

Conditions:

The Authority should reconcile the property, plant and equipment subsidiary ledger to the general ledger control account.

Criteria:

N.J. Administrative Code Section 5:31-7.1 Accounting and Financial Reporting system requires a properly functioning system of accounting and accounting controls.

Cause:

The Authority has not established an accounting system that reconciles its plant, property and equipment subsidiary ledger to the general ledger control account.

Effect:

The Authority's general ledger required material journal entries to correctly reflect the financial statement balances at the end of the year.

Recommendation:

That the Authority reconcile the property, plant and equipment subsidiary ledger to the general ledger control account.

Authority Response:

The Authority will work with its auditor to reconcile the property, plant and equipment subsidiary ledger to the general ledger control account.

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Finding 2017-004:

Conditions:

The Authority does not reconcile its bank accounts to the general ledger control account.

Criteria:

N.J. Administrative Code Section 5:31-7.1 Accounting and Financial Reporting system requires a properly functioning system of accounting and accounting controls.

Cause:

The Authority was unaware of the proper reconciliation of bank accounts.

Effect:

The Authority's cash accounts required material journal entries to reconcile to the general ledger.

Recommendation:

That the Authority properly reconcile all bank accounts to the general ledger.

Authority Response:

The Authority will work with its auditor to establish an accounting system and internal controls that will be in accordance with N.J. Administrative Code and Good Accounting Practices.

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

GENERAL COMMENTS

CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED PER N.J.S.A. 40A:11-3

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term 'competitive contracting', which is defined as "the method described in sections 1 through 5 of P.L. 1999, c440 (C.40:11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors, formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received".

N.J.S.A. 40A:11-15 was amended with P.L. 1999, c.440 to extend the base contract period. "Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months

Effective July 1, 2015 and thereafter the bid threshold in accordance with N.J.S.A. 40A:11-3 (as amended) is \$40,000.00, however effective January 1, 2011 the bid threshold for entities without a qualified purchasing agent was rolled back to \$17,500.00.

The governing body of the Parking Authority of the Town of Morristown (A Component Unit of the Town of Morristown) has the responsibility of determining whether the expenditures in any category will exceed the statutory limit within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Attorney's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments by categories for the performance of any work or the furnishings or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. None were noted.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory limit where there had been no advertising for bids in accordance with the provisions of N.J.S.A. 40A:11-4.

EXAMINATION OF CLAIMS

Claims paid during the period under review were examined for clerical accuracy and proper approvals.

The review and inquiry indicate good scrutiny on the part of the Authority and Authority Officials regarding expenditures.

THE PARKING AUTHORITY OF THE TOWN OF MORRISTOWN
(A COMPONENT UNIT OF THE TOWN OF MORRISTOWN)

RECOMMENDATIONS

See Findings 2017-1 to 2017-4.

Status of Prior Years' Audit Findings/Recommendations

Not Applicable

Should any questions arise as to our comments please do not hesitate to call us.

We wish to express our appreciation of the assistance and courtesies extended to us by the Authority officials and employees during the course of the audit.

Respectfully submitted,

Ferraioli, Wielkatz, Cerullo & Cura, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Newton, New Jersey

June 25, 2018