



Financial Statements

December 31, 2014 and 2013

With Independent Auditors' Report

Parking Authority of the City of Newark
Table of Contents
December 31, 2014 and 2013

	Page(s)
Management's Discussion and Analysis	A1-A6
Independent Auditors' Report	1-3
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4-5
Financial Statements	
Statements of Net Position.....	6
Statements of Revenues, Expenses and Changes in Net Position.....	7
Statements of Cash Flows	8
Notes to Financial Statements	9-18
Supplementary Information	
Schedules of Cash Receipts and Disbursements and Changes in Cash and Investments	19
Schedule of Operating Revenues and Expenditures Compared to Budget	20-21
Roster of Officials	22
Miscellaneous Statistics	23
Schedule of Findings and Recommendations.....	24



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CHIGOZIE U. ONYEMA, ESQ
Interim Executive Director

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Parking Authority of the City of Newark (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the years ended December 31, 2014, 2013 and 2012. Please read this analysis in conjunction with the Authority's financial statements which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements present the Authority's financial activities and position in three parts. They include the *Management's Discussion and Analysis (this section)*, the *Basic Financial Statements* and *Supplementary Information*. The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These financial statements offer short and long-term financial information about its activities.

BASIC FINANCIAL STATEMENTS

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

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Position*. This statement measures the results of the Authority's operations over the past year and can be used to determine whether the Authority has recovered all its costs through its revenue sources and other charges, operational stability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing activities and capital and related financing activities.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements, such as the Authority's accounting methods and policies.

NEWARK PARKING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL ANALYSIS OF THE AUTHORITY

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better able to fulfill its mission as a result of this year's activities?" The Statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities in a way that will help answer this question. These two statements report net position of the Authority and the changes in those positions. The reader can think of the Authority's net position - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other nonfinancial factors such as changes in conditions, population growth, development, contractual requirements and new or changed government regulation.

A summary of the Authority's Statements of Net Position are as follows:

CONDENSED STATEMENTS OF NET ASSETS

	2014	2013	2012
Assets			
Unrestricted	\$ 4,509,130	\$ 4,485,684	\$ 3,460,399
Restricted	4,909	4,908	27,317
Net capital assets	<u>1,185,888</u>	<u>1,269,264</u>	<u>1,343,676</u>
Total assets	<u>\$ 5,699,927</u>	<u>\$ 5,759,856</u>	<u>\$ 4,831,392</u>
Liabilities			
Long-term liabilities	\$ 712,500	\$ 855,000	\$ 997,500
Other liabilities	<u>798,873</u>	<u>585,053</u>	<u>466,445</u>
Total liabilities	1,511,373	1,440,053	1,463,945
Net Position			
Net investment in capital assets	330,888	271,764	199,313
Restricted	4,909	4,908	27,317
Unrestricted - undesignated	2,338,734	2,535,905	1,640,454
Unrestricted - designated for capital projects	<u>1,514,023</u>	<u>1,507,226</u>	<u>1,500,363</u>
Total net position	<u>4,188,554</u>	<u>4,319,803</u>	<u>3,367,447</u>
Total liabilities and net position	<u>\$ 5,699,927</u>	<u>\$ 5,759,856</u>	<u>\$ 4,831,392</u>

CURRENT ASSETS

Unrestricted cash was approximately \$3,753,000 at December 31, 2014 representing a net decrease of approximately \$197,000 as compared to the December 31, 2013 balance. The decreased in cash was due to the removal of parking meters by the City of Newark for street scape projects and the Authority not able to install additional meters as anticipated. This resulted in an approximate 12% decrease in meter income. The Authority has earmarked approximately \$1,500,000 for the future acquisition and development of real estate to expand and improve its parking operations. Restricted cash had a balance of approximately \$5,000 at December 31, 2014 and 2013, respectively. The Authority may utilize this amount to purchase additional fixed assets for the Authority.

NEWARK PARKING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Accounts receivable increased by approximately \$107,000 from 2013 compared to 2014 and decreased approximately \$55,000 from 2013 compared to 2012. The changes are predominately due to the timing of ticket sharing revenue payments received from the City of Newark for the last two months of the year along with a slight increase in revenue of approximately \$55,000 from 2013 compared to 2014. Prepaid expenses increased approximately \$114,000 from 2013 compared to 2014. This increase is primarily due to the prepayment of salary in connection with a separation agreement.

NONCURRENT ASSETS

Noncurrent assets decreased in 2014 by approximately \$83,000 compared to 2013, which is the increase in property and equipment less depreciation of approximately \$157,000. In 2013, property and equipment decreased by approximately \$74,000, compared to 2012 which is the increase in property and equipment less depreciation of approximately \$163,000.

CAPITAL ASSETS

Capital Assets activities for the years ended December 31, 2014, 2013 and 2012 are as follows:

	2014	2013	2012
Furniture and fixtures	\$ 51,443	\$ 51,443	\$ 47,798
Improvements	39,382	39,382	33,867
Meters	1,609,876	1,609,876	1,587,467
Computers	49,361	34,274	34,274
Vehicles	303,696	245,269	188,061
Intangible	9,850	9,850	9,850
	<u>2,063,608</u>	<u>1,990,094</u>	<u>1,901,317</u>
Less: accumulated depreciation and amortization	<u>877,720</u>	<u>720,830</u>	<u>557,641</u>
Net property and equipment	<u>\$ 1,185,888</u>	<u>\$ 1,269,264</u>	<u>\$ 1,343,676</u>

OTHER LIABILITIES

Other liabilities are current liabilities that will be paid in the next twelve (12) months after the balance sheet date. Current liabilities payable from unrestricted assets is increased by approximately \$214,000 in 2014 as compared to increase of approximately \$119,000 in 2013. For the year 2014, the increase is primarily due to garage lease payable to City of Newark and an increase in PERS payable. For the year 2013, the increase is primarily due to garage lease payable to City of Newark and unpaid bills relating to the parking tax and office rent at year end.

NONCURRENT LIABILITIES

The decrease of approximately \$143,000 in 2014 and 2013 is due to the principal repayment of long term notes.

NEWARK PARKING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

A summary of the Authority's Statements of Revenues, Expenses and Changes in Net Position are as follows:

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2014	2013	2012
Operating revenues	\$ 4,857,768	\$ 4,988,115	\$ 4,557,893
Nonoperating revenues	<u>14,643</u>	<u>13,654</u>	<u>12,505</u>
Total revenues	4,872,411	5,001,769	4,570,398
Operating expenses	4,799,863	3,832,881	3,300,276
Depreciation expense	156,890	163,191	160,178
Nonoperating expenses	<u>46,907</u>	<u>53,341</u>	<u>62,808</u>
Total expenses	<u>5,003,660</u>	<u>4,049,413</u>	<u>3,523,262</u>
(Decrease) increase in net position	(131,249)	952,356	1,047,136
Net position, beginning of year	<u>4,319,803</u>	<u>3,367,447</u>	<u>2,320,311</u>
Net position, end of year	<u>\$ 4,188,554</u>	<u>\$ 4,319,803</u>	<u>\$ 3,367,447</u>

While the Statements of Net Position show the change in financial position of net position, the Statements of Revenues, Expenses and Changes in Net Position provide answers as to the nature and source of these changes.

OPERATING REVENUES

The Authority's operating revenues decreased by approximately \$130,000 in 2014, as compared to approximately \$430,000 increase in 2013. The decrease in 2014 was primarily from loss of meter collections revenue.

OPERATING EXPENSES

Total operating expenses increased by approximately \$967,000 to \$4.8 million in 2014, as compared to an increase of approximately \$533,000 in 2013. The 2014 and 2013 increases are the result of increased salaries, office expenses and consultant fees related to the management and operations of the prudential arena.

NONOPERATING REVENUES AND EXPENSES

Total nonoperating revenues and expenses decreased by approximately \$7,000 in 2014 and decreased by approximately \$11,000 in 2013, respectively.

NET POSITION

Total assets of the Authority for the year ended December 31, 2014, were approximately \$5.7 million, while total liabilities were approximately \$1.5 million resulting in assets exceeding liabilities by approximately \$4.2 million. For the year ended December 31, 2013, assets exceeded liabilities by approximately \$4.3 million. Therefore the Authority's net position decreased approximately \$100,000.

Total assets of the Authority for the year ended December 31, 2013, were approximately \$5.7 million, while total liabilities were \$1.4 million resulting in assets exceeding liabilities by approximately \$4.3 million. For the

NEWARK PARKING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

year ended December 31, 2012, assets exceeded liabilities by approximately \$3.3 million. Therefore the Authority's net position increased approximately \$1,000,000.

BUDGETARY HIGHLIGHTS

The Authority prepares and submits an annual operating budget to the State of New Jersey, which approves the budgets for adoption by the Authority prior to the beginning of the fiscal year. The Authority, upon approval of the interlocal agreement with the City of Newark, amended its budget with the Division of Local Government Services. The following table provides a 2014 combined budget to actual comparison:

2014 BUDGET VS. ACTUAL

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Operating revenues	\$ 5,463,584	\$ 4,786,939	\$ (676,645)
Nonoperating revenues	<u>82,000</u>	<u>85,472</u>	<u>3,472</u>
Total revenues	5,545,584	4,872,411	(673,173)
Operating appropriations			
Personnel and other	2,120,572	2,183,706	(63,134)
Fringe benefits	872,892	911,393	(38,501)
Administration and general	<u>2,099,077</u>	<u>1,908,561</u>	<u>190,516</u>
Total operating appropriations	5,092,541	5,003,660	88,881
Nonoperating appropriations			
Lease and note payments	142,500	142,500	-
Capital budget	<u>1,131,000</u>	<u>73,511</u>	<u>1,057,489</u>
Total nonoperating appropriations	<u>1,273,500</u>	<u>216,011</u>	<u>1,057,489</u>
Total operating and nonoperating appropriations	<u>6,366,041</u>	<u>5,219,671</u>	<u>1,146,370</u>
Excess (deficit) - budgetary basis	<u>\$ (820,457)</u>	<u>\$ (347,260)</u>	<u>\$ 473,197</u>

Anticipated operating revenues were \$5,463,584 whereas actual revenues were \$4,786,939, resulting in a unfavorable variance of \$676,645. This unfavorable variance was primarily due to the Westinghouse parking site not put into service in 2014, the removal of meters by the City of Newark and the anticipated legislation by the City to expand metered parking area which the City failed to implement.

Total anticipated appropriations were \$6,366,041 whereas total actual appropriations were \$5,219,671, resulting in a favorable variance of \$1,146,370. This favorable variance was due to project development costs and related to various expense line items coming in favorably compared to budgeted amounts. See the schedule of operating revenues and expenditures compared to budget in the supplementary information section for details of individual line items.

DEBT ADMINISTRATION

Upon execution of the interlocal agreement and transfer of certain parking assets (parking meters) on August 6, 2008 (See Note #1) the Authority is liable to make payments to the City of Newark for the Bond Anticipation Notes in the amount of \$1,425,000. The notes bear interest at 5%.

NEWARK PARKING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

ECONOMIC FACTORS, FUTURE YEARS BUDGETS AND RATES

The Commissioners and management of the Authority consider many factors when preparing each year's budget. Some of the factors that were considered are: traffic patterns, increase in vehicle traffic due to development of various areas in Newark, the improved efficiency of the Authority's equipment and personnel in issuing summons.

The Authority is in negotiations to take over the administration and enforcement of the City of Newark Parking tax, which would greatly help the Authority improve and expand the services that it provides.

In connection with the normal conduct of the Authority's business, it could from time to time be involved in various claims and litigation which may result in positive or negative effects on the financial statements.

CONTACTING THE AUTHORITY

These financial statements are designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the PARKING AUTHORITY OF THE CITY OF NEWARK, located at 50 Park Place, Suite 919, Newark, New Jersey.



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Florida, Colorado and Grand Cayman

Independent Auditors' Report

Honorable Members of the Board of Commissioners
Parking Authority of the City of Newark
Essex County, New Jersey

Report on the Financial Statements

We have audited the accompanying statements of net position of the Parking Authority of the City of Newark as of December 31, 2014 and 2013 and the statements of revenues, expenses and changes in net position and cash flows for the years then ended as well as the related notes to financial statements, which collectively comprise the Parking Authority of the City of Newark's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Parking Authority of the City of Newark, as of December 31, 2014 and 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages A1 through A6 be presented to supplement the basic financial statements. Such information, although not 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 inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Parking Authority of the City of Newark's basic financial statements. The schedules of cash receipts and disbursements and changes in cash and investments, schedule of operating revenues and expenditures compared to budget, roster of officials, miscellaneous statistics and schedule of findings and recommendations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of cash receipts and disbursements and changes in cash and investments and schedule of operating revenues and expenditures compared to budget are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of cash receipts and disbursements and changes in cash and investments and schedule of operating revenues and expenditures compared to budget are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The rosters of officials and miscellaneous statistics have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2015, on our consideration of the Parking Authority of the City of Newark, Essex County, New Jersey's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on



internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* in considering the Parking Authority of the City of Newark's internal control over financial reporting and compliance.

Wilhem Smith + Brown, PC

Toms River, New Jersey
June 11, 2015



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

Independent Auditors' Report

Honorable Members of the Board of Commissioners
Parking Authority of the City of Newark
Essex County, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Parking Authority of the City of Newark, Essex County, New Jersey as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Parking Authority of the City of Newark's basic financial statements, and have issued our report thereon dated June 11, 2015.

Internal Control over Financial Reporting

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

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Parking Authority of the City of Newark's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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*.

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.

William Smith + Brown, PC

Toms River, New Jersey
June 11, 2015

**Parking Authority of the City of Newark
Essex County, New Jersey
Statements of Net Position
December 31, 2014 and 2013**

	2014	2013
Assets		
Current assets		
Cash	\$ 2,238,763	\$ 2,443,235
Designated cash	1,514,023	1,507,226
Restricted cash	4,909	4,908
Investments	39,945	39,785
Accounts receivable	552,207	444,762
Prepaid expenses	<u>164,192</u>	<u>50,676</u>
Total current assets	4,514,039	4,490,592
Property and equipment, net	<u>1,185,888</u>	<u>1,269,264</u>
Total assets	<u>\$ 5,699,927</u>	<u>\$ 5,759,856</u>
Liabilities and Net Position		
Current liabilities		
Accounts payable	\$ 104,814	\$ 70,360
Accrued expenses	319,850	265,775
Due to City of Newark	231,709	106,418
Bond - current portion	<u>142,500</u>	<u>142,500</u>
Total current liabilities	798,873	585,053
Non-current liabilities		
Bond - less current portion	<u>712,500</u>	<u>855,000</u>
Total liabilities	1,511,373	1,440,053
Net Position		
Net investment in capital assets	330,888	271,764
Restricted - parking asset acquisition and upgrade	4,909	4,908
Unrestricted - undesignated	2,338,734	2,535,905
Unrestricted - designated for capital projects	<u>1,514,023</u>	<u>1,507,226</u>
Total net position	4,188,554	4,319,803
Total liabilities and net position	<u>\$ 5,699,927</u>	<u>\$ 5,759,856</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**Parking Authority of the City of Newark
Essex County, New Jersey
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2014 and 2013**

	2014	2013
Operating revenues		
Ticket sharing	\$ 1,783,436	\$ 1,726,230
Meter collections	2,080,671	2,358,420
Event parking	179,895	238,170
Parking lots	9,269	26,904
MPG lease	733,669	573,191
Reimbursed operating expense - City of Newark	55,000	55,000
Food truck permit program	15,828	10,200
Total operating revenues	<u>4,857,768</u>	<u>4,988,115</u>
Operating expenses		
Salaries	2,183,706	1,718,975
Fringe benefits and payroll taxes	911,393	758,875
Professional fees	315,531	155,691
Lease payment - City of Newark	572,316	464,202
Rent	130,251	132,123
Administrative and general expenses	686,666	603,015
Depreciation and amortization	156,890	163,191
Total operating expenses	<u>4,956,753</u>	<u>3,996,072</u>
Operating (loss) income	(98,985)	992,043
Non-operating revenue (expense)		
Interest income	14,643	13,654
Interest expense	(46,907)	(53,341)
Total non-operating revenue (expense)	<u>(32,264)</u>	<u>(39,687)</u>
Changes in net position	(131,249)	952,356
Net position, beginning of year	<u>4,319,803</u>	<u>3,367,447</u>
Net position, end of year	<u>\$ 4,188,554</u>	<u>\$ 4,319,803</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**Parking Authority of the City of Newark
Essex County, New Jersey
Statements of Cash Flows
Years Ended December 31, 2014 and 2013**

	2014	2013
Cash flows from operating activities		
Cash received from ticket sharing	\$ 1,728,081	\$ 1,846,206
Cash received from meter collections	2,080,671	2,358,420
Cash received from event parking	179,895	238,170
Cash received from parking lot	9,269	26,904
Cash received from lease and other	752,407	572,928
Payments to employees	(2,151,156)	(1,684,181)
Payments for employee benefits and payroll taxes	(896,900)	(723,691)
Other operating disbursements	<u>(1,648,535)</u>	<u>(1,304,120)</u>
Net cash provided by operating activities	53,732	1,330,636
Cash flows from investing activities		
Purchase of certificate of deposit	(160)	(399)
Interest on investments	14,643	13,654
Purchases of property and equipment	<u>(73,514)</u>	<u>(88,779)</u>
Net cash used by investing activities	(59,031)	(75,524)
Cash flows from capital and related financing activities		
Interest expense	(49,875)	(57,216)
Repayments of long-term debt	<u>(142,500)</u>	<u>(146,864)</u>
Net cash used by capital and related financing activities	<u>(192,375)</u>	<u>(204,080)</u>
Net (decrease) increase in cash	(197,674)	1,051,032
Cash, beginning of year		
Cash	2,443,235	1,376,657
Designated cash	1,507,226	1,500,363
Restricted cash	<u>4,908</u>	<u>27,317</u>
	<u>3,955,369</u>	<u>2,904,337</u>
Cash, end of year		
Cash	2,238,763	2,443,235
Designated cash	1,514,023	1,507,226
Restricted cash	<u>4,909</u>	<u>4,908</u>
	<u>\$ 3,757,695</u>	<u>\$ 3,955,369</u>
Cash flows from operating activities		
Net operating (loss) income	\$ (98,985)	\$ 992,043
Adjustments to reconcile operating (loss) income to net cash provided by operating income		
Depreciation and amortization	156,890	163,191
Change in:		
Accounts receivable	(107,445)	54,513
Prepaid expenses	(113,516)	(5,958)
Accounts payable	34,454	20,606
Accrued expenses	57,043	69,982
Due to City of Newark	<u>125,291</u>	<u>36,259</u>
Net cash provided by operating activities	<u>\$ 53,732</u>	<u>\$ 1,330,636</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Financial Statements
December 31, 2014 and 2013**

1. GENERAL

Authorizing Legislation

The Parking Authority of the City of Newark, hereinafter called the "Authority," was created and established by virtue of an ordinance duly adopted by the City Council of the City of Newark entitled "An Ordinance Creating the Parking Authority of the City of Newark, Adopted by the Municipal Council August 3, 1955," adopted on April 4, 1956, creating the Parking Authority of the City of Newark (collectively the "Creation Ordinance"), pursuant to the Parking Authority Law (N.J.S.A. 40p:11a-1 et seq.) of the State of New Jersey, as amended and supplemented (the "Act") and the Authority is a public body corporate and politic of the State of New Jersey and an agency of the City with all the powers, privileges and authority conferred by the Act. It consists of five members appointed by the Mayor of Newark with the advice and consent of the City Council. The Authority has no stockholders or equity holders. Accounts of the Authority are maintained in conformity with accounting principles generally accepted in the United States of America.

It is the purpose and policy of the Authority, among other things to provide such services and facilities as permitted under the Act and by contract with the City of Newark including (i) enforcing applicable statutes, ordinances and regulations governing parking in the City of Newark, including ticketing and the provision, either directly or indirectly, towing services and storage and impound facilities; (ii) operating the parking meter operation of the City including maintaining, servicing and enforcement relating thereto; and (iii) management of the Parking Enforcement Officers in the performance of their duties.

On August 6, 2008, the City of Newark, upon approval of resolution 7R1-BE "Inter-local Agreement", authorized the delivery of certain parking assets (parking meters) to the Parking Authority of the City of Newark, and obligating the Authority to make certain periodic payments to the City in respect of debt service on City obligations to finance such parking assets. The Authority took control of the parking assets and meter collections on September 8, 2008. The Inter-local Agreement also gave the Newark Parking Authority the power to issue meter violation tickets, motor vehicle towing services, operate storage facilities and issue residential parking permits.

Upon execution of the above agreement, the Authority received parking assets (parking meters) worth \$957,739 and cash in the amount of \$542,261. The cash proceeds are restricted by the City of Newark for the future purchase of parking assets only. As of December 31, 2014 and 2013 the unspent restricted funds amounted to \$4,909 and \$4,908, respectively. The Authority was held liable for Bond Anticipation Notes in the amount of \$1,425,000, which is explained in detail in Note 6.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements

The term measurement focus is used to denote what is being measured and reported in the Authority's financial statements. The Authority is accounted for on the flow of economic resources measurement focus. The fundamental objective of the focus is to measure whether the Authority is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction is recognized on the Authority's financial statements. The Authority uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends. The Authority has elected to follow Financial Accounting Standards Board pronouncements issued before November 30, 1989, and all pronouncements of the Governmental Accounting Standards Board.

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Financial Statements
December 31, 2014 and 2013**

The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments." Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components, invested in capital assets, net of related debt, restricted and unrestricted. The Authority also adopted the provisions of Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and Statement No. 65 "Items Previously Reported as Assets and Liabilities". Statement No. 63 requires Deferred Outflows of Resources be reported in a separate section after the assets, Deferred Inflows of Resources be reported in a separate section after liabilities, and replaces term "Statement of Net Assets" with "Statement of Net Position". Statement No. 65 amends the financial statement classification of certain items to be included in the deferred inflows and outflow categories.

The classifications of net position are defined as follows:

- *Invested in capital assets, net of related debt* – This component of net position 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. If there are any significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather that portion of the debt is included in the same net assets component as the unspent proceeds.
- *Restricted* - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The adoption of Governmental Accounting Standards Board Statements 34, 63 and 65 have no significant effect on the basic financial statements, except for changing the term "Net Assets" to "Net Position" throughout the financial statements in accordance with Statement No. 63.

The Authority's policy is to first apply restricted resources when an expense is incurred for purposes in which both restricted and unrestricted funds are available.

The Authority's financial statements include all the accounts of all the Authority's operations. The primary criterion for including activities within a reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Account and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name);
- the primary government holds the corporate powers of the organization;
- the primary government appoints a voting majority of the organization's board;
- the primary government is able to impose its will on the organization;
- the organization has the potential to impose a financial benefit/burden on the primary government;
- there is a fiscal dependency by the organization on the primary government.

Based on the above criterion, the Authority is a component unit of the City of Newark. The Authority does issue separate financial statements from the City of Newark.

Based on the aforementioned criterion, the Authority has no component units.

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Financial Statements
December 31, 2014 and 2013**

Non-exchange Transactions

The Authority also adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. This statement required that capital contributions to the Authority be presented as a change in net position.

Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used for, but not limited to, depreciation and contingencies. Actual results could differ from those estimates.

Operating Revenues and Revenue and Cost Recognition

Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. The Authority recognizes meter revenues as they are collected and recognizes all other revenues in accordance with customer agreements. The costs of such services are accrued as incurred.

Pension Plan

The plan provides retirement, annual cost of living adjustments and death benefits to plan members and beneficiaries. The plan is a cost sharing multiple employer defined benefit plan. The Division of Pensions and Benefits issues publicly available financial reports for each of the plans that include financial statements and required supplementary information. The reports may be obtained by writing the State of New Jersey, Division of Pensions and Benefits.

Substantially all employees participate in the Public Employees' Retirement System (PERS). The Division of Pensions and Benefits within the Treasury Department of the State of New Jersey is the administrator of the funds. The plan does not maintain separate records for each Authority in the State and, therefore, the actuarial data for the Authority is not available.

Significant Legislation:

P.L. 2011, c. 78, effective June 28, 2011, made various changes to the manner in which PERS operates and to the benefit provisions of that system. Provisions impacting employee pension and health benefits include:

- New members of PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ to 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 62 to 65 for Tier 5 members.
- Active member contribution rates will increase. PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2013, the member contribution rates increased in July 2013. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- In addition, the method for amortizing the pension systems' unfunded accrued liability changed (from a level percent of pay method to a level dollar of pay).

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Financial Statements
December 31, 2014 and 2013**

Covered employees are required by State Statute to contribute 6.78 percent of their salary to the plan through June 2014 and 6.92 percent effective July 2014. In addition, the PERS bills the Authority annually according to an actuarially determinable rate for its required contribution.

The contribution requirements of plan members and the Authority are established and may be amended by the Board of Trustees of the plan. All required contributions were made. The Authority contributed \$171,673 and \$133,691 to the plan for the years ended December 31, 2014 and 2013, respectively.

Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and provides eligible members, with a minimum base salary of \$1,500 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. As of May 21, 2010, the Municipal Base Salary required for eligibility in DCRP was increased to \$5,000. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000 annually, the official may choose to waive participation in the DCRP for that office or position. This waiver is irrevocable.

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

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

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

During 2014, there was one official enrolled in DCRP.

Contributions made by employees for DCRP are currently at 5.5% of their base wages. Member contributions are matched by a 3.0% employer contribution.

Compensated Absences

The Authority permits employees to accrue unused vacation and sick pay. Vacation pay may be taken as time off or paid upon retirement at an agreed upon rate. Vacation leave may be carried to the next succeeding calendar year only. Sick pay may only be taken as time off or paid upon retirement with no more than twenty four accumulated sick days at rate determined by the Board or designee. Accumulated compensated absences amounted to \$67,490 and \$32,387 for the years ended December 31, 2014 and 2013, respectively. Such amount is reflected on the Statement of Net Position in accrued expenses.

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Financial Statements
December 31, 2014 and 2013**

Accounts Receivable

Accounts receivable is primarily comprised of amounts due from the New Jersey Performing Arts Center Corporation ("NJ PAC") for the basic rent for the months of October 2014 through December 2014, and from amounts due from the City of Newark of the Authority's portion of ticket sharing revenue for the months of November 2014 and December 2014. The Authority believes that an allowance for doubtful accounts is not necessary due to its past history of collecting all accounts from NJ PAC and due to its past dealings with the City of Newark.

Reclassifications

Certain accounts in prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Such reclassifications had no effect on the net position of the Authority.

Advertising

The Authority expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2014 and 2013 approximated \$11,000 and \$6,000, respectively.

Recent Accounting Standards

In June 2012, the Government Accounting Standards Board ("GASB") issued GASB statement number 68, "Accounting and Financial Reporting for Pensions." This statement requires for defined benefit pension plans that the liability of employers and non-employer contributing entities to employees for defined benefit pension plans (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of this standard, if any.

GASB issued statement number 69, "Government Combinations and Disposals of Government Operations" in January 2013. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions and transfers of operations. This standard is effective beginning in periods after December 15, 2013 and had no effect on the Authority's financial statements.

GASB issued statement number 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees" in April 2013. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a non-exchange transaction). As a part of the non-exchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligations does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a non-exchange transaction.

The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive non-exchange financial guarantees. This standard is effective for the periods beginning after June 15, 2013 and has no effect on the Authority's financial statements.

GASB issued statement number 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date" in November 2013. The objective of this statement is to address an issue regarding application of the transition provisions of statement number 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The effective date of this standard is simultaneous with statement number 68.

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Financial Statements
December 31, 2014 and 2013**

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

The management of the Authority is not aware of any violations of finance related legal and contractual provisions.

Legal Compliance - Budgets

New Jersey Budget Law requires that all funds have legally adopted budgets and appropriations. Total expenditures for each fund may not exceed the amount appropriated. Appropriations for a fund may be increased provided they are offset by unanticipated revenues. All appropriations lapse at the end of each fiscal year to the extent that they have not been expended or encumbered. Authorization to transfer budgeted amounts between programs and/or departments within any fund and reallocation of budget line items within any program and/or department rests with the Authority's Board of Commissioners.

The accompanying Statements of Revenues, Expenses and Changes in Net Position and the Schedule of Operating Revenues and Expenditures – Budget and Actual have been prepared on a legally prescribed basis of accounting, which differs from GAAP in certain respects. Note 10 "*RECONCILIATION OF BUDGETARY BASIS AND GAAP*" has been prepared to identify these revenue and expenditure differences for governmental activities.

The Authority's budget is prepared for its funds on the modified accrual basis of accounting. Annual appropriated budgets are adopted for all general and enterprise type funds. Any material modification within the adopted budget cannot be made by Board of Commissioners without the Division of Local Government Services' approval.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

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 (SAIF), or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

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

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

If the public funds deposited exceed seventy-five (75%) percent of the capital funds of the depository, the depository must provide collateral having a market value equal to one hundred (100%) percent of the amount exceeding seventy-five (75%) percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. The Authority has complied with all statutes and regulations applicable to deposits and investments.

Cash equivalents include money market funds, mutual funds, cash management funds and certificates of deposit with maturity dates of less than three months. Investments include certificates of deposit with maturity dates of more than three months. Cash equivalents and investments are stated at cost, which approximates market. Cash equivalents and investments were held by the Authority's Trustee in the Authority's name.

Custodial Credit Risk - This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, an authority will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Authority does not have a policy for custodial credit risk. Federal depository insurance and New Jersey's Governmental Unit Deposit Protection Act mitigate this risk.

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Financial Statements
December 31, 2014 and 2013**

Interest Rate Risk - This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Authority's investment policy does not include limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentrations - The Authority's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets.

As of December 31, 2014 and 2013 the Authority's cash, cash equivalents and investments consisted of:

	2014	2013
PNC – Checking	\$ 28,565	\$ 29,348
PNC – Money Market	146,002	167,870
PNC – Payroll	741	-
City National – Checking	159,780	74,317
City National – Money Market	1,868,254	2,000,453
City National – Certificate of Deposit	39,945	39,785
City National – Real Estate Acquisition	504,674	502,409
City National – Real Estate Development	504,674	502,409
City National – Capital Improvement	504,674	502,409
Santander Bank – Checking	8,388	170,746
Santander Bank – Restricted	4,909	4,908
Investors Bank – Event Parking	26,534	-
Petty cash	500	500
Total cash, cash equivalents and investments	<u>3,797,640</u>	<u>3,995,154</u>
Less: Investments	<u>39,945</u>	<u>39,785</u>
Total cash and cash equivalents	<u>\$ 3,757,695</u>	<u>\$ 3,955,369</u>

The carrying amount of the Authority's cash, cash equivalents and investments at December 31, 2014 was \$3,797,640 which consisted of \$3,752,786 unrestricted cash, \$4,909 restricted cash and \$39,945 invested in certificates of deposit, and the bank balance was \$3,677,006. Of the bank balance, \$503,876 was covered by Federal Depository Insurance and \$3,173,130 was covered by the Governmental Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., for all New Jersey governmental units' deposits in excess of the Federal deposit maximums.

Of the cash balance, approximately \$5,000 was restricted for future purchase of additional parking assets for the Authority and approximately \$1.5 million was designated for future acquisition and development of real estate to expand and improve the Authority's parking operations.

5. LEASE AND SUBLEASE OF MILITARY PARK GARAGE

On August 14, 1997, the City of Newark leased to the Authority the property known as the Military Park Garage for a term of 50 years.

Under the terms of the lease, the Authority will pay to the City of Newark, each month, the basic rent which equals the City's debt service payments on the Redevelopment Bonds which is approximately \$36,000 per month. In addition, the lease requires the Authority to pay the City seventy percent of the net profits as defined in the lease. The remaining thirty percent is retained by the Authority for operations. Minimum lease payments for the next five years are expected to be approximately \$430,000 each year.

The Authority subleased the Military Park Garage to the New Jersey Performing Arts Center Corporation ("NJ PAC") for a term of 50 years. Under the terms of the lease, NJ PAC operates and manages the facility. NJ PAC is required to pay the Authority each month the basic rent which equals the City's debt service payments on the Redevelopment Bonds which is approximately \$36,000 per month. Minimum lease

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Financial Statements
December 31, 2014 and 2013**

payments for the next five years are expected to be approximately \$430,000 per year. In addition, NJPAC shall pay to the Authority forty-five percent of the net profits as defined in the lease. In accordance with the sublease, NJPAC remitted basic rent in the amounts of \$429,825 and \$423,904 for the years ended December 31, 2014 and 2013, respectively, to offset the debt service on a \$5,000,000 bond issued by the City of Newark to fund one half of the cost of renovating the facility. In addition to the basic rent, NJPAC remitted a percentage of net operating proceeds of \$358,844 and \$204,287 for the years ended December 31, 2014 and 2013, respectively. The lease is a net sublease, and all expenses of operation and repair are paid by NJPAC.

6. LONG TERM DEBTS

Bond due to the City of Newark

Upon execution of the inter-local agreement and transfer of certain parking assets (parking meters) on August 6, 2008, the Authority became liable to make payments to the City of Newark for Bond Anticipation Notes in the amount of \$1,425,000. The notes, originally issued January 24, 2008 with a maturity of January 23, 2009, were renewed through January 20, 2010. Upon maturity, the debt service payments of the notes were negotiated and repayments began June 1, 2011 with final payment due June 1, 2020.

Ten annual principal repayments of \$142,500 are due until maturity. The notes bore interest at 3.00% during 2008, 3.25% during 2009 and increased to 5.00% for 2010 and thereafter. Interest expense for the years ended December 31, 2014 and 2013 amounted to \$46,907 and \$53,341, respectively, with interest payable as of December 31, 2014 and 2013 of approximately \$19,000 and \$20,000, respectively.

The City of Newark has not finalized its long-term financing plans with respect to the Series 2010 Notes, and therefore, the actual debt service payments are subject to change upon final negotiations.

The aggregate annual principal payments applicable to long term debts as of December 31, 2014 are as follows:

Year ending December 31:	Amount
2015	\$ 142,500
2016	142,500
2017	142,500
2018	142,500
2019	142,500
2020	<u>142,500</u>
Total	<u>\$ 855,000</u>

7. CAPITAL ASSETS

Capital assets, which include furniture and fixtures, vehicles, and equipment, are reported at cost less accumulated depreciation. The Authority depreciates all assets using the straight line method ranging from 3 to 20 years. Leasehold improvements and intangibles are amortized over the shorter of the useful life or lease term. Capital asset activity for the year ending December 31, 2014 was as follows:

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Financial Statements
December 31, 2014 and 2013**

	Balance as of 12/31/13	2014 Additions	Balance as of 12/31/14
Furniture and fixtures	\$ 51,443	\$ -	\$ 51,443
Improvements	39,382	-	39,382
Meters	1,609,876	-	1,609,876
Computers	34,274	15,087	49,361
Vehicles	245,269	58,427	303,696
Intangible	9,850	-	9,850
	<u>1,990,094</u>	<u>73,514</u>	<u>2,063,608</u>
Less: accumulated depreciation and amortization	<u>720,830</u>	<u>156,890</u>	<u>877,720</u>
Net property and equipment	<u>\$ 1,269,264</u>	<u>\$ (83,376)</u>	<u>\$ 1,185,888</u>

Depreciation and amortization expense for the years ended December 31, 2014 and 2013 was \$156,890 and \$163,191, respectively.

Capital assets acquired through capital lease obligations consisted of the following at December 31:

	2014	2013
Vehicles	\$ 76,585	\$ 76,585
Less: accumulated amortization	<u>76,585</u>	<u>73,872</u>
	<u>\$ -</u>	<u>\$ 2,713</u>

For the years ended December 31, 2014 and 2013 amortization expense for capital lease assets included in the preceding depreciation and amortization amounts amounted to \$2,713 and \$15,316, respectively.

8. COMMITMENTS

The Authority leases office space under operating leases. The office lease is a non-cancellable lease which was renewed February 11, 2011 for a period of five years. Rent expense for the years ended December 31, 2014 and 2013 amounted to \$130,251 and \$132,123, respectively.

The approximate aggregate future minimum annual office rental commitments under non-cancelable lease are as follows:

Year	Amount
2015	\$ 163,000
2016	163,000
2017	163,000
2018	163,000
2019	163,000

9. CONTINGENT LIABILITIES

Grantor Agencies – Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. Any audit resulting in disallowed costs may constitute a liability. The Authority is unaware of any such liabilities.

Litigation – The Authority is involved in numerous claims, lawsuits, and complaints that have been filed and/or are pending arising out of the normal course of business. These claims pertain to matters such as personal injuries, wrongful terminations, contractor disputes, and the enforcement of a consent order. Management believes that some cases are without merit and the others are adequately covered by insurance, so that if litigated unfavorably, the results will not have a material adverse effect on the financial statements. No additional provision for the effects, if any, of these claims is necessary in the financial statements.

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Financial Statements
December 31, 2014 and 2013**

10. RECONCILIATION OF BUDGETARY BASIS AND GAAP

The accompanying "Schedule of Operating Revenues and Expenditures Compared to Budget for the Year Ended December 31, 2014" presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective and entity differences in excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended December 31, 2014 is presented below:

Excess of revenues over expenditures (Budgetary basis)	\$ (347,260)
Adjustments to reconcile to GAAP basis	<u>216,011</u>
Changes in net position (GAAP basis)	<u>\$ (131,249)</u>

11. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events occurring after December 31, 2014 through the date of June 11, 2015, which is the date the financial statements were available to be issued. Based on this evaluation the Authority has determined that no subsequent events have occurred which require disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

**Parking Authority of the City of Newark
Essex County, New Jersey
Schedules of Cash Receipts and Disbursements and Changes in Cash and Investments
Years Ended December 31, 2014 and 2013**

	2014	2013
Cash and investments, January 1,	\$ 3,995,154	\$ 2,943,588
Receipts		
Ticket sharing	1,728,081	1,846,206
Meter collections	2,080,671	2,358,420
Event parking	179,895	238,170
Parking lot	9,269	26,904
Lease and other	752,407	572,928
Interest on investments	<u>14,643</u>	<u>13,789</u>
	4,764,966	5,056,417
Disbursements		
Operating expenses	4,696,591	3,711,992
Purchases of property and equipment	73,514	88,779
Payment of loan and interest payable for capital asset	<u>192,375</u>	<u>204,080</u>
	4,962,480	4,004,851
Cash and investments, December 31,	<u>\$ 3,797,640</u>	<u>\$ 3,995,154</u>
Balance comprised of		
Cash	\$ 3,757,695	\$ 3,955,369
Certificate of Deposit	<u>39,945</u>	<u>39,785</u>
	<u>\$ 3,797,640</u>	<u>\$ 3,995,154</u>

See Independent Auditors' Report.

**Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of Operating Revenues and Expenditures Compared to Budget
Year Ended December 31, 2014**

	2014 Budget	2014 Actual	Favorable (Unfavorable) *
Operating revenue:			
Ticket sharing	\$ 1,724,964	\$ 1,783,436	\$ 58,472
Meter collections	2,358,177	2,080,671	(277,506)
Event parking	126,000	179,895	53,895
Parking lots	575,100	9,269	(565,831)
MPG lease	679,343	733,669	54,326
Non operating revenue:			
Reimbursed operating expense - City of Newark	55,000	55,000	-
Interest income	10,500	14,643	4,143
Food truck permit program	16,500	15,828	(672)
Total revenues	<u>\$ 5,545,584</u>	<u>\$ 4,872,411</u>	<u>\$ (673,173)</u>
Operating expense:			
Administrative and general:			
Salaries	\$ 2,120,572	\$ 2,183,706	\$ (63,134)
Fringe benefits and payroll taxes	872,892	911,393	(38,501)
Accounting fees	40,000	70,000	(30,000)
Audit examination	25,000	77,500	(52,500)
Legal fees	50,000	46,629	3,371
Physical and drug exams	3,500	7,592	(4,092)
Parking consultant	107,000	50,147	56,853
Asset Management Consultant	-	71,255	(71,255)
Office expenses	35,100	34,934	166
Bank fees/visa debit	18,000	15,877	2,123
Telephone/wireless	96,000	68,803	27,197
Depreciation expense	160,000	156,890	3,110
Security alarm system	600	504	96
Travel/conference/training	30,000	19,830	10,170
Payroll expense	12,000	9,965	2,035
Luncheon meeting	2,500	9,680	(7,180)
Advertising	11,500	10,566	934
Vehicle expense	79,000	42,194	36,806
Uniforms	20,000	24,797	(4,797)
Equipment maintenance	42,500	5,824	36,676
IT support	15,000	40,156	(25,156)
Insurance	216,634	171,891	44,743
Postage	1,000	2,086	(1,086)
Parking meter repair	50,000	18,161	31,839
Interest expense	49,875	46,907	2,968
Rent	125,000	130,251	(5,251)

See Independent Auditors' Report.

**Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of Operating Revenues and Expenditures Compared to Budget
Year Ended December 31, 2014**

	2014 Budget	2014 Actual	Favorable (Unfavorable) *
(continued)			
Parking tax	100,368	34,425	65,943
Printing/badges	5,000	1,345	3,655
PATS tickets	30,000	19,603	10,397
Parking permits	63,000	61,284	1,716
Parking studies	65,000	15,830	49,170
Event expenses	17,500	65,187	(47,687)
Jackson parking lot utilities	7,000	450	6,550
Jackson parking lot snow removal	17,000	5,682	11,318
Lease payment - City of Newark	604,000	572,316	31,684
Total administrative and general	5,092,541	5,003,660	88,881
Non-operating expense:			
Bond payments	142,500	142,500	-
Vehicle purchases	66,000	58,424	7,576
Meter/vehicle equipment	65,000	-	65,000
Project development costs	1,000,000	-	1,000,000
Computers	-	15,087	(15,087)
Total non-operating expense	1,273,500	216,011	1,057,489
Total expenses	\$ 6,366,041	\$ 5,219,671	\$ 1,146,370

* See MD&A page A5 for management explanation regarding significant differences.

**Parking Authority of the City of Newark
Essex County, New Jersey
Roster of Officials
Year Ended December 31, 2014**

Board of Commissioners

Evelyn Williams

Raquel Cagley

DeAndre Rudolph

Samuel Lucas

Hubert Graham

Niathan Allen

Deborah Ballard

Position

Chairperson

Vice Chairperson

Treasurer

Secretary

Commissioner

Commissioner

Commissioner

Other Officials

Chigozie Onyema, Esq.

Gabriela Santos

Interim Executive Director/General Counsel

Manager of Fiscal Operations & Control

**Parking Authority of the City of Newark
Essex County, New Jersey
Miscellaneous Statistics
Year Ended December 31, 2014**

Form of Government	Authority
Number of employees	51
Number of parking spaces Military Park Garage	990
Number of parking meter spaces	2,149

**Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of Findings and Recommendations
Years Ended December 31, 2014 and 2013**

Schedule of Financial Statement Findings

This section identifies the material weaknesses and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulations, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Material Weaknesses

None noted