



**NEWARK PARKING AUTHORITY**

**Financial Statements and  
Required Supplementary Information**

**December 31, 2016 and 2015**

**With Independent Auditors' Report**

**Parking Authority of the City of Newark  
Essex County, New Jersey  
December 31, 2016 and 2015**

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ANTHONY C. MACK, ESQ  
Executive Director

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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, 2016 and 2015. 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)**

During the fiscal year ended December 31, 2015, the Authority implemented two Governmental Accounting Standards Board ("GASB"), GASB Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, relative to its participation in the Public Employees Retirement System (PERS). Historically, the Authority has recorded its contributions to the plan as expenses in the year these contributions were required by the State of New Jersey Division of Pensions and Benefits. With the adoption of GASB 68, the Authority is required to record a liability in its financial statements for its proportionate share of the PERS plan liability and expenses. The Authority's December 31, 2016 net pension liability increased to \$6,911,864, deferred outflows of resources increased to \$2,642,150, and deferred inflows of resources increased to \$228,662. All employers who participate in the PERS are being required to record a proportionate share of the June 30, 2016 and 2015 net pension liability (local only) in their respective financial statements which totals \$29,617,131,759 and \$22,447,996,119, respectively. Management is of the opinion that it is highly unlikely the Authority will ever be required to pay this liability.

**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 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 POSITION**

|  | 2016                | 2015                |
|--|---------------------|---------------------|
| <b>Assets and Deferred Outflows of Resources</b>     |                     |                     |
| Unrestricted   | \$ 4,138,311        | \$ 4,380,774        |
| Restricted   | 4,911               | 4,910               |
| Net capital assets                                   | 2,053,396           | 1,482,212           |
| Deferred outflows of resources                       | <u>2,642,150</u>    | <u>1,773,946</u>    |
| Total assets and deferred outflows of resources      | <u>\$ 8,838,768</u> | <u>\$ 7,641,842</u> |
| <b>Liabilities and Deferred Inflows of Resources</b> |                     |                     |
| Long-term liabilities                                | \$ 7,339,364        | \$ 6,123,748        |
| Other liabilities                                    | 957,060             | 973,272             |
| Deferred inflows of resources                        | <u>228,662</u>      | <u>89,294</u>       |
| Total liabilities and deferred inflows of resources  | 8,525,086           | 7,186,314           |

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

|  | 2016                | 2015                |
|--|---------------------|---------------------|
| (continued)  |                     |                     |
| <b>Net Position</b>  |                     |                     |
| Net investment in capital assets                                     | 1,483,396           | 769,712             |
| Restricted   | 4,911               | 4,910               |
| Unrestricted - undesignated  | (2,699,085)         | (1,838,253)         |
| Unrestricted - designated for capital projects                       | <u>1,524,460</u>    | <u>1,519,159</u>    |
| Total net position   | <u>313,682</u>      | <u>455,528</u>      |
| Total liabilities, deferred inflows of resources<br>and net position | <u>\$ 8,838,768</u> | <u>\$ 7,641,842</u> |

**CURRENT ASSETS**

Unrestricted cash was approximately \$3,407,000 at December 31, 2016 representing a net decrease of approximately \$295,000 as compared to the December 31, 2015 balance. The Authority has earmarked approximately \$1.5 million 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, 2016 and 2015. The Authority may utilize this amount to purchase additional fixed assets for the Authority.

Accounts receivable increased by approximately \$97,000 from 2015 compared to 2016. The changes are predominately due to the timing of ticket sharing revenue payments received from the City of Newark for the last 3 months of the year along with an increase in revenue of approximately \$26,000 from 2015 compared to 2016. Prepaid expenses decreased approximately \$45,000 from 2015 compared to 2016. This decrease is primarily due to Authority opt for a payment plan for insurance where the final installment made in 2017.

**NONCURRENT ASSETS**

Noncurrent assets increased in 2016 by approximately \$571,000 compared to 2015, which is the increase in property and equipment, mainly for Green Street Mixed-Use Development Project, less depreciation of approximately \$205,000.

**CAPITAL ASSETS**

Capital Assets activities for the years ended December 31, 2016 and 2015 are as follows:

|  | 2016                | 2015                |
|--|---------------------|---------------------|
| Furniture and fixtures                             | \$ 72,670           | \$ 72,670           |
| Improvements                                       | 39,382              | 39,382              |
| Meters   | 1,988,795           | 1,738,370           |
| Computers  | 75,696              | 75,696              |
| Vehicles   | 344,563             | 328,813             |
| Intangible   | 9,850               | 9,850               |
| Construction in progress                           | <u>763,162</u>      | <u>268,661</u>      |
|  | 3,294,118           | 2,533,442           |
| Less: accumulated depreciation<br>and amortization | <u>1,240,722</u>    | <u>1,051,230</u>    |
| Net property and equipment                         | <u>\$ 2,053,396</u> | <u>\$ 1,482,212</u> |

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

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**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources related to pension increased in 2016 by approximately \$868,000 compared to 2015. The increase resulted from the State actuarial calculation. See Note 8 for more information.

**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 decreased by approximately \$16,000. The decrease is primarily due to a decrease in payable to City of Newark. This decrease is due to NJPAC took over the responsibilities for paying the existed outstanding redevelopment bonds that was used for renovating the Military Park Garage, which was subleased to NJPAC. See note 5 for additional information.

**NONCURRENT LIABILITIES**

The increase of approximately \$1,215,000 from 2015 compared to 2016 is due to State actuarial calculation of PERS net pension liability (local only) which resulted an increase approximately from \$22 billion to \$29 billion. See Note 8 for information.

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources related to pension increased in 2016 by approximately \$139,000 compared to 2015. The increase resulted from the State actuarial calculation. See Note 8 for more information.

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

**CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

|                                 | 2016              | 2015              |
|---------------------------------|-------------------|-------------------|
| Operating revenues              | \$ 5,338,684      | \$ 5,248,465      |
| Nonoperating revenues           | <u>6,169</u>      | <u>11,732</u>     |
| Total revenues                  | 5,344,853         | 5,260,197         |
| Operating expenses              | 5,248,804         | 5,289,211         |
| Depreciation expense            | 205,239           | 173,510           |
| Nonoperating expenses           | <u>32,656</u>     | <u>39,781</u>     |
| Total expenses                  | <u>5,486,699</u>  | <u>5,502,502</u>  |
| Changes in net position         | (141,846)         | (242,305)         |
| Net position, beginning of year | <u>455,528</u>    | <u>697,833</u>    |
| Net position, end of year       | <u>\$ 313,682</u> | <u>\$ 455,528</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 increased by approximately \$90,000. The increase was primarily from an increase in meter collections revenue.

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

**OPERATING EXPENSES**

Total operating expenses is relatively consistent with prior year \$5.3 million.

**NONOPERATING REVENUES AND EXPENSES**

Total non-operating revenue and expenses decreased by approximately \$2,000 due to decrease in interest income as well as interest expense.

**NET POSITION**

Total assets and deferred outflows of resources of the Authority for the year ended December 31, 2016, were approximately \$8.8 million, while total liabilities and deferred inflows of resources were approximately \$8.5 million resulting in assets exceeding liabilities by approximately \$310,000. For the year ended December 31, 2015, assets exceeded liabilities by approximately \$450,000. Therefore the Authority's net assets decreased approximately \$140,000.

**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 2016 combined budget to actual comparison:

**2016 BUDGET VS. ACTUAL**

|  | Amended<br>Budget | Actual            | Variance<br>Favorable<br>(Unfavorable) |
|--|-------------------|-------------------|--|
| <b>Revenues</b>                                    |                   |                   |  |
| Operating revenues                                 | \$ 5,944,287      | \$ 5,338,684      | \$ (605,603)                           |
| Nonoperating revenues                              | <u>68,900</u>     | <u>6,169</u>      | <u>(62,731)</u>                        |
| Total revenues                                     | 6,013,187         | 5,344,853         | (668,334)                              |
| <b>Operating appropriations</b>                    |                   |                   |  |
| Personnel and other                                | 2,224,306         | 2,026,254         | 198,052                                |
| Fringe benefits                                    | 1,097,146         | 1,012,634         | 84,512                                 |
| Administration and general                         | <u>2,451,625</u>  | <u>1,785,875</u>  | <u>665,750</u>                         |
| Total operating appropriations                     | 5,773,077         | 4,824,763         | 948,314                                |
| <b>Nonoperating appropriations</b>                 |                   |                   |  |
| Bond principal payment                             | 142,500           | 142,500           | -                                      |
| Bond interest payment                              | <u>35,625</u>     | <u>32,656</u>     | <u>2,969</u>                           |
| Total nonoperating appropriations                  | <u>178,125</u>    | <u>175,156</u>    | <u>2,969</u>                           |
| Total operating and nonoperating<br>appropriations | <u>5,951,202</u>  | <u>4,999,919</u>  | <u>951,283</u>                         |
| Excess - budgetary basis                           | <u>\$ 61,985</u>  | <u>\$ 344,934</u> | <u>\$ 282,949</u>                      |

Anticipated operating revenues were \$5,944,287 whereas actual revenues were \$5,338,684, resulting in an unfavorable variance of \$605,603. This unfavorable variance was primarily due to the Residential Parking Permit Program not being implemented. The anticipated revenue recorded in the 2016 budget was affected by these factors and not realized.

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

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Total anticipated appropriations were \$5.9 million whereas total actual appropriations were \$5 million, resulting in a favorable variance of \$900,000. This favorable variance was mainly due to the City reimbursing the Authority for remediation services expense. In addition, there was minimum expense for parking studies and e-ticket that was appropriated for \$172,000 and \$126,500, respectively. Furthermore, approximately \$103,000 was appropriated for residential parking, but not used due to program not being implemented. See the schedule of operating revenues and expenditures compared to budget in the supplementary information section for more information.

**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%.

**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.

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 07102.

## 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 financial statements of the Parking Authority of the City of Newark, which comprise the statements of net position as of December 31, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to financial statements.

### 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, 2016 and 2015, and the respective changes in its net financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages A1 through A6, Schedule of the Authority's Proportionated Share of the Net Pension Liability – PERS, and Schedule of the Authority's Contributions – PERS on page 24 to 25 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 Supplementary 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, and miscellaneous statistics 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 September 22, 2017, 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.

*Withum Smith + Brown, PC*

September 22, 2017

**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, 2016 and 2015, 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 September 22, 2017.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies as items 2016-001 through 2016-003.

**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, 2016 and 2015, 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 September 22, 2017.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies as items 2016-001 through 2016-003.

### **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*.

### **Newark Parking Authority's Response to Findings**

Authority's response to the findings identified in our audit are described in the Schedule of Findings and Responses. Authority'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.

*Withum Smith + Brown, PC*

September 22, 2017

**Parking Authority of the City of Newark  
Essex County, New Jersey  
Statements of Net Position  
December 31, 2016 and 2015**

|  | 2016                | 2015                |
|--|---------------------|---------------------|
| <b>Assets and Deferred Outflows of Resources</b>                   |                     |                     |
| Current assets   |                     |                     |
| Cash   | \$ 1,882,633        | \$ 2,183,206        |
| Designated cash  | 1,524,460           | 1,519,159           |
| Restricted cash  | 4,911               | 4,910               |
| Investments  | 40,291              | 40,145              |
| Accounts receivable  | 664,598             | 567,418             |
| Prepaid expenses   | <u>26,329</u>       | <u>70,846</u>       |
| Total current assets   | 4,143,222           | 4,385,684           |
| Property and equipment, net  | <u>2,053,396</u>    | <u>1,482,212</u>    |
| Total assets   | <u>6,196,618</u>    | <u>5,867,896</u>    |
| Deferred outflows of resources                                     |                     |                     |
| Pension related  | <u>2,642,150</u>    | <u>1,773,946</u>    |
| Total assets and deferred outflows of resources                    | <u>\$ 8,838,768</u> | <u>\$ 7,641,842</u> |
| <b>Liabilities, Deferred Inflows of Resources and Net Position</b> |                     |                     |
| Current liabilities  |                     |                     |
| Accounts payable   | \$ 351,077          | \$ 259,974          |
| Accrued expenses   | 385,293             | 371,232             |
| Due to City of Newark  | 78,190              | 199,566             |
| Bond - current portion   | <u>142,500</u>      | <u>142,500</u>      |
| Total current liabilities  | 957,060             | 973,272             |
| Non-current liabilities  |                     |                     |
| Bond - less current portion  | 427,500             | 570,000             |
| Net pension liability  | <u>6,911,864</u>    | <u>5,553,748</u>    |
| Total non-current liabilities                                      | <u>7,339,364</u>    | <u>6,123,748</u>    |
| Total liabilities  | <u>8,296,424</u>    | <u>7,097,020</u>    |
| Deferred inflows of resources                                      |                     |                     |
| Pension related  | <u>228,662</u>      | <u>89,294</u>       |
| Net position   |                     |                     |
| Net investment in capital assets                                   | 1,483,396           | 769,712             |
| Restricted - parking asset acquisition and upgrade                 | 4,911               | 4,910               |
| Unrestricted - undesignated  | (2,699,085)         | (1,838,253)         |
| Unrestricted - designated for capital projects                     | <u>1,524,460</u>    | <u>1,519,159</u>    |
| Total net position   | <u>313,682</u>      | <u>455,528</u>      |
| Total liabilities, deferred inflows of resources and net position  | <u>\$ 8,838,768</u> | <u>\$ 7,641,842</u> |

The 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, 2016 and 2015**

|   | 2016              | 2015              |
|---|-------------------|-------------------|
| <b>Operating revenues</b>                     |                   |                   |
| Ticket sharing                                | \$ 2,084,286      | \$ 2,058,021      |
| Meter collections                             | 2,455,968         | 2,165,952         |
| Event parking                                 | 211,935           | 241,480           |
| MPG lease                                     | 556,147           | 701,991           |
| Reimbursed operating expense - City of Newark | -                 | 55,000            |
| Food truck permit program                     | 21,342            | 25,671            |
| Miscellaneous income                          | 9,006             | 350               |
| Total operating revenues                      | <u>5,338,684</u>  | <u>5,248,465</u>  |
| <b>Operating expenses</b>                     |                   |                   |
| Salaries                                      | 2,026,254         | 2,027,188         |
| Fringe benefits and payroll taxes             | 1,012,634         | 1,127,427         |
| Pension expense, net - GASB 68 adjustment     | 629,280           | 378,375           |
| Professional fees                             | 233,297           | 260,065           |
| Lease payment - City of Newark                | 379,583           | 556,222           |
| Rent  | 198,728           | 194,823           |
| Administrative and general expenses           | 769,028           | 745,111           |
| Depreciation and amortization                 | 205,239           | 173,510           |
| Total operating expenses                      | <u>5,454,043</u>  | <u>5,462,721</u>  |
| Operating loss                                | (115,359)         | (214,256)         |
| <b>Non-operating revenue (expense)</b>        |                   |                   |
| Interest income                               | 6,169             | 11,732            |
| Interest expense                              | (32,656)          | (39,781)          |
| Total non-operating revenue (expense)         | <u>(26,487)</u>   | <u>(28,049)</u>   |
| Changes in net position                       | (141,846)         | (242,305)         |
| Beginning of year                             | <u>455,528</u>    | <u>697,833</u>    |
| End of year                                   | <u>\$ 313,682</u> | <u>\$ 455,528</u> |

The 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, 2016 and 2015**

|  | 2016                | 2015                |
|--|---------------------|---------------------|
| <b>Cash flows from operating activities</b>  |                     |                     |
| Cash received from ticket sharing  | \$ 1,908,149        | \$ 2,028,958        |
| Cash received from meter collections   | 2,455,968           | 2,165,952           |
| Cash received from event parking   | 211,935             | 241,480             |
| Cash received from lease and other   | 662,807             | 829,941             |
| Payments to employees  | (1,976,828)         | (2,049,489)         |
| Payments for employee benefits and payroll taxes   | (396,623)           | (696,555)           |
| Other operating disbursements  | <u>(2,468,755)</u>  | <u>(1,927,155)</u>  |
| Net cash provided by operating activities  | 396,653             | 593,132             |
| <b>Cash flows from investing activities</b>  |                     |                     |
| Purchase of certificate of deposit   | (146)               | (200)               |
| Interest on investments  | 6,169               | 11,732              |
| Purchases of property and equipment  | <u>(519,822)</u>    | <u>(469,834)</u>    |
| Net cash used by investing activities  | (513,799)           | (458,302)           |
| <b>Cash flows from capital and related financing activities</b>                          |                     |                     |
| Interest expense   | (35,625)            | (42,750)            |
| Repayments of long-term debt   | <u>(142,500)</u>    | <u>(142,500)</u>    |
| Net cash used by capital and related financing activities                                | <u>(178,125)</u>    | <u>(185,250)</u>    |
| Net decrease in cash   | (295,271)           | (50,420)            |
| <b>Cash, beginning of year</b>   |                     |                     |
| Cash   | 2,183,206           | 2,238,763           |
| Designated cash  | 1,519,159           | 1,514,023           |
| Restricted cash  | <u>4,910</u>        | <u>4,909</u>        |
|  | <u>3,707,275</u>    | <u>3,757,695</u>    |
| <b>Cash, end of year</b>   |                     |                     |
| Cash   | 1,882,633           | 2,183,206           |
| Designated cash  | 1,524,460           | 1,519,159           |
| Restricted cash  | <u>4,911</u>        | <u>4,910</u>        |
|  | <u>\$ 3,412,004</u> | <u>\$ 3,707,275</u> |
| <b>Cash flows from operating activities</b>  |                     |                     |
| Operating loss   | \$ (115,359)        | \$ (214,256)        |
| Adjustments to reconcile operating loss<br>to net cash provided by operating activities: |                     |                     |
| Depreciation and amortization expenses   | 205,239             | 173,510             |
| Pension expense, net - GASB 68 adjustment  | 629,280             | 378,375             |
| Gain on disposition of asset   | (8,827)             | -                   |
| Change in:   |                     |                     |
| Accounts receivable  | (97,180)            | (15,211)            |
| Prepaid expenses   | 44,517              | 93,346              |
| Accounts payable   | (156,671)           | 155,160             |
| Accrued expenses   | 17,030              | 54,351              |
| Due to City of Newark  | <u>(121,376)</u>    | <u>(32,143)</u>     |
| Net cash provided by operating activities  | <u>\$ 396,653</u>   | <u>\$ 593,132</u>   |

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

**Parking Authority of the City of Newark  
Essex County, New Jersey  
Notes to Consolidated Financial Statements  
December 31, 2016 and 2015**

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**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, 2016 and 2015 the unspent restricted funds amounted to \$4,911 and \$4,910, 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.

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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 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 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.

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**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. Significant estimates include the useful lives of capital assets and depreciation expense, and the net pension liability.

**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.

**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 \$67,143 and \$35,792 for the years ended December 31, 2016 and 2015, respectively. Such amount is reflected on the Statement of Net Position in accrued expenses.

**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 2016 through December 2016, and from amounts due from the City of Newark of the Authority's portion of ticket sharing revenue for the months of October 2016 through December 2016. 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.

**Impairment of Capital Assets**

In accordance with the provisions of the pronouncement related to accounting and financial reporting for impairment of capital assets, the District assesses capital assets for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset have both significantly and unexpectedly declined. For the years ended December 31, 2016 and 2015 management has determined that there was no impairment of capital assets.

**Advertising**

The Authority expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2016 and 2015 approximated \$2,400 and \$2,300, respectively.

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**Deferred Outflows/Inflows of Resources**

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position.

Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflow of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

The Authority's deferred outflows and deferred inflows are a result of its participation in the pension plan (see Note 8).

**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 11 "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

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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.

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, 2016 and 2015 the Authority's cash, cash equivalents and investments consisted of:

|  | 2016         | 2015         |
|--|--------------|--------------|
| PNC – Checking                               | \$ 28,315    | \$ 28,335    |
| PNC – Money Market                           | 386,042      | 356,329      |
| PNC – Payroll                                | 78,356       | (302)        |
| City National – Checking                     | 611,705      | 918,258      |
| City National – Money Market                 | 604,644      | 756,029      |
| City National – Certificate of Deposit       | 40,291       | 40,145       |
| City National – Real Estate Acquisition      | 256,870      | 256,386      |
| City National – Real Estate Development      | 256,870      | 256,386      |
| City National – Capital Improvement          | 256,870      | 256,386      |
| Santander Bank – Checking                    | 22           | 750,999      |
| Santander Bank – Restricted                  | 4,911        | 4,910        |
| Investors Bank – Event Parking               | 173,522      | 123,059      |
| Bayonne Community Bank                       | 753,377      | -            |
| Petty cash                                   | 500          | 500          |
|  | <hr/>        | <hr/>        |
| Total cash, cash equivalents and investments | 3,452,295    | 3,747,420    |
| Less: Investments                            | 40,291       | 40,145       |
|  | <hr/>        | <hr/>        |
| Total cash and cash equivalents              | \$ 3,412,004 | \$ 3,707,275 |

**Parking Authority of the City of Newark  
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The carrying amount of the Authority's cash, cash equivalents and investments at December 31, 2016 was \$3,452,295 which consisted of \$3,407,093 unrestricted cash, \$4,911 restricted cash and \$40,291 invested in certificates of deposit, and the bank balance was \$3,301,585. Of the bank balance, \$952,489 was covered by Federal Depository Insurance and \$2,349,096 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.

Investments

New Jersey statutes establish the following securities as eligible for the investment of Authority funds:

- (a) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (b) Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Associates or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- (c) Bonds or other obligations of the District or bonds or other obligations of school districts of which the district is a part or within which the school district is located.
- (d) Bonds or other obligations, having a maturity date of not more than twelve months from the date of purchase, which are approved by the New Jersey Department of Treasury, Division of Investments.
- (e) Qualified mutual funds with portfolios limited to (i) bonds or other obligations of, or guaranteed by, the United States of America; and (ii) repurchase agreements fully collateralized by such obligations. These investments must be transacted only through national or state banks located within New Jersey.

During the year, the Authority had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of 2016 and 2015, no such investments were held by the Authority.

As of December 31, 2016 and 2015, the District's investments consisted of:

|                         | 2016             | 2015             |
|-------------------------|------------------|------------------|
| Certificate of Deposit: |                  |                  |
| City National Bank      | <u>\$ 40,291</u> | <u>\$ 40,145</u> |

This certificate of deposit has a 12 months term with interest rate of 0.25%, and matures on July 17, 2018.

Fair Value Measurements

Pursuant to the requirements of the accounting standard related to fair value measurements, the Authority has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The following table summarizes assets which have been accounted for at fair value on a recurring basis as of December 31, 2016 and 2015, along with the basis for the determination of fair value:

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|                                | <u>Basis for Valuation</u><br>Observable Measurement Criteria<br>(Level 2) |
|--------------------------------|--|
| Certificates of Deposit - 2016 | \$ <u>40,291</u>   |
| Certificates of Deposit - 2015 | \$ <u>40,145</u>   |

For applicable assets and liabilities subject to this pronouncement, the Authority will value such assets and liabilities using quoted market prices in active markets for identical assets and liabilities to the extent possible (Level 1). To the extent that such market prices are not available, the Authority will next attempt to value such assets and liabilities in active and inactive markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Authority will develop measurement criteria based on the best information available (Level 3).

**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. For the years ended December 31, 2016 and 2015, the amount due to the City was \$78,190 and \$199,566, respectively, and total lease expense to the City for 2016 and 2015 was \$379,583 and \$556,222, respectively.

The Authority subleased the Military Park Garage to 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. In addition, NJ PAC shall pay to the Authority forty-five percent of the net profits as defined in the lease. For the years ended December 31, 2016 and 2015, NJ PAC remitted basic rent in the amounts of \$63,500 and \$435,383, 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, NJ PAC remitted a percentage of net operating proceeds of \$492,647 and \$321,608 for the years ended December 31, 2016 and 2015, respectively. The lease is a net sublease, and all expenses of operation and repair are paid by NJ PAC.

In July 2016, this sublease was amended whereas the NJ PAC agrees to secure financing ("Loan") in the amount of \$3,321,000. Of this Loan, \$2,321,000 will be used to retire the Redevelopment Bonds and the remaining \$1,000,000 to finance the Renovation Project. The terms of the Loan will be 10 years and the debt service will be considered an operating expense for the duration of the Loan.

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**6. LONG-TERM DEBT**

**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 issued 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, 2016 and 2015 amounted to \$32,656 and \$39,781, respectively, with interest payable as of December 31, 2016 and 2015 of approximately \$12,000 and \$15,000, respectively.

The aggregate annual principal payments applicable to long term debt as of December 31, 2016 are as follows:

| Year ending December 31: | Amount            |
|--------------------------|-------------------|
| 2017                     | \$ 142,500        |
| 2018                     | 142,500           |
| 2019                     | 142,500           |
| 2020                     | <u>142,500</u>    |
|                          | <u>\$ 570,000</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, 2016 was as follows:

|   | Balance as of<br>12/31/15 | 2016<br>Additions | 2016<br>Deletion/Transfer | Balance as of<br>12/31/16 |
|---|---------------------------|-------------------|---------------------------|---------------------------|
| Furniture and fixtures                          | \$ 72,670                 | \$ -              | \$ -                      | \$ 72,670                 |
| Improvements                                    | 39,382                    | -                 | -                         | 39,382                    |
| Meters  | 1,738,370                 | 68,225            | 182,200                   | 1,988,795                 |
| Computers                                       | 75,696                    | -                 | -                         | 75,696                    |
| Vehicles  | 328,813                   | 39,671            | (23,921)                  | 344,563                   |
| Intangible                                      | 9,850                     | -                 | -                         | 9,850                     |
| Construction in progress                        | <u>268,661</u>            | <u>759,832</u>    | <u>(265,331)</u>          | <u>763,162</u>            |
|   | 2,533,442                 | 867,728           | (107,052)                 | 3,294,118                 |
| Less: accumulated depreciation and amortization | <u>1,051,230</u>          | <u>205,239</u>    | <u>(15,747)</u>           | <u>1,240,722</u>          |
| Net property and equipment                      | <u>\$ 1,482,212</u>       | <u>\$ 662,489</u> | <u>\$ (91,305)</u>        | <u>\$ 2,053,396</u>       |

Depreciation and amortization expense for the years ended December 31, 2016 and 2015 was \$205,239 and \$173,510, respectively.

**Parking Authority of the City of Newark  
Essex County, New Jersey  
Notes to Consolidated Financial Statements  
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**8. PENSION PLAN**

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

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:

| <b>Tier</b> | <b>Definition</b>  |
|-------------|--|
| 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 1/55<sup>th</sup> 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 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 and 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 55 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.

Employer and Employee Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. The local employer's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. During the years ended December 31, 2016 and 2015, the PERS received employer and employee contributions as follows:

|                                | 2016          | 2015          |
|--------------------------------|---------------|---------------|
| Employer contributions         | \$ 207,326    | \$ 212,702    |
| Employee contributions         | \$ 114,722    | \$ 108,140    |
| Salary basis for contributions | \$ 1,609,229  | \$ 1,554,013  |
| Percent of base wages          | 7.06% - 7.20% | 6.92% - 7.06% |

**Parking Authority of the City of Newark**  
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Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Although the division administers one cost-sharing multiple-employer plan, separate (sub) valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense are determined separately for each individual employer of the State and local groups of the plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and 2015. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2016. In accordance with GASB 68, the measurement date shall not be earlier than 1 year from the statement of net position date; therefore, the Authority has elected to utilize June 30, 2016 and 2015, respectively, as the measurement date.

The Authority's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2016 and 2015. At December 31, the Authority's proportionate share and net pension liability was as follows:

|  | 2016              | 2015              |
|--|-------------------|-------------------|
| PERS net pension liability (Local Group) | \$ 29,617,131,759 | \$ 22,447,996,119 |
| Authority net pension liability          | \$ 6,911,864      | \$ 5,553,748      |
| Authority's proportion                   | 0.02333738%       | 0.02474051%       |

Pension expense, net is comprised of the following at December 31:

|  | 2016              | 2015              |
|--|-------------------|-------------------|
| Proportionate share of allocable plan pension expense  | \$ 659,890        | \$ 364,325        |
| Pension expense related to specific liabilities of individual employers                          | (207,326)         | (212,702)         |
| Net amortization of deferral amounts from changes in proportion                                  | 176,704           | 226,740           |
| Other changes  | <u>12</u>         | <u>12</u>         |
| Total employer pension expense excluding that attributable to employer-paid member contributions | <u>\$ 629,280</u> | <u>\$ 378,375</u> |

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At December 31, 2016 and 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS as follows:

|  | <b>2016</b>                               |  |
|--|---|--|
|  | <u>Deferred outflows<br/>of resources</u> | <u>Deferred inflows of<br/>resources</u> |
| Changes of assumptions   | \$ 1,431,769                              | \$ -                                     |
| Difference between expected and actual experience  | 128,540                                   | -  |
| Net difference between projected and actual earnings on pension plan investments                                   | 263,556                                   | -  |
| Changes in proportion and differences between the Authority contributions and proportionate share of contributions | 818,285                                   | 228,662                                  |
| Authority contributions subsequent to the measurement date   | -   | -  |
|  | <u>\$ 2,642,150</u>                       | <u>\$ 228,662</u>                        |
|  | <b>2015</b>                               |  |
|  | <u>Deferred outflows<br/>of resources</u> | <u>Deferred inflows of<br/>resources</u> |
| Changes of assumptions   | \$ 596,428                                | \$ -                                     |
| Difference between expected and actual experience  | 132,493                                   | -  |
| Net difference between projected and actual earnings on pension plan investments                                   | -   | 89,294                                   |
| Changes in proportion and differences between contributions and proportionate share of contributions               | 1,045,025                                 | -  |
| Authority contributions subsequent to the measurement date   | -   | -  |
|  | <u>\$ 1,773,946</u>                       | <u>\$ 89,294</u>                         |

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

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| Years Ended December 31: | PERS Deferred<br>Outflows/Inflows,<br>Net (Local Group) | Authority Share     |
|--------------------------|---|---------------------|
| 2017                     | \$ 1,759,522,489  | \$ 543,375          |
| 2018                     | 1,759,522,489   | 543,375             |
| 2019                     | 2,038,465,810   | 629,518             |
| 2020                     | 1,712,609,385   | 528,887             |
| 2021                     | <u>545,084,612</u>                                      | <u>168,333</u>      |
|                          | <u>\$ 7,815,204,785</u>                                 | <u>\$ 2,413,488</u> |

Actuarial Assumptions

The total pension liability in the June 30, 2016 and 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                               | 2016         | 2015         |
|-------------------------------|--------------|--------------|
| Inflation rate                | 3.08%        | 3.04%        |
| Salary increases through 2026 | 1.65-4.15%   | 2.15-4.40%   |
|                               | based on age | based on age |
| Thereafter                    | 2.65-5.15%   | 3.15-5.40%   |
|                               | based on age | based on age |
| Investment rate of return     | 7.65%        | 7.90%        |

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement 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 plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Health Male and Female Mortality Tables (set back 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).

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65 percent at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

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| <u>Asset Class</u>            | <u>Target<br/>Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|-------------------------------|------------------------------|---|
| Cash                          | 5.00%                        | 0.87%   |
| U.S treasuries                | 1.50%                        | 1.74%   |
| Investment grade credits      | 8.00%                        | 1.79%   |
| Mortgages                     | 2.00%                        | 1.67%   |
| High yield bonds              | 2.00%                        | 4.56%   |
| Inflation-indexed bonds       | 1.50%                        | 3.44%   |
| Broad US equities             | 26.00%                       | 8.53%   |
| Developed foreign equities    | 13.25%                       | 6.83%   |
| Emerging market equities      | 6.50%                        | 9.95%   |
| Private equity                | 9.00%                        | 12.40%  |
| Hedge funds / absolute return | 12.50%                       | 4.68%   |
| Real estate (property)        | 2.00%                        | 6.91%   |
| Commodities                   | 0.50%                        | 5.45%   |
| Global debt ex US             | 5.00%                        | -0.25%  |
| REIT                          | 5.25%                        | 5.63%   |

Discount Rate

The discount rate used to measure the total pension liability was 3.98 percent and 4.90 percent as of December 31, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65 percent, and a municipal bond rate of 2.85 percent and 3.80 percent as of June 30, 2016 and 2015, respectively, 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 30 percent of the actuarially determined contributions and the local employers contributed 100 percent 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, 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 Authority's proportionate share of the net pension liability measured as of December 31, 2016 and 2015, calculated using the discount rate as disclosed above as well as what the Authority's proportionate share of the net pension liability (local group) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

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|   | 2016                       |                                     |                           |
|---|----------------------------|-------------------------------------|---------------------------|
|   | At 1 % decrease<br>(2.98%) | At current discount<br>rate (3.98%) | At 1% increase<br>(4.98%) |
| PERS as a whole (Local Group)                                   | \$ 36,292,338,055          | \$ 29,617,131,759                   | \$ 24,106,170,190         |
| Authority's proportionate share of<br>the net pension liability | \$ 8,469,683               | \$ 6,911,864                        | \$ 5,625,750              |
|   | 2015                       |                                     |                           |
|   | At 1 % decrease<br>(3.90%) | At current discount<br>rate (4.90%) | At 1% increase<br>(5.90%) |
| PERS as a whole (Local Group)                                   | \$ 27,900,112,533          | \$ 22,447,996,119                   | \$ 17,876,981,108         |
| Authority's proportionate share of<br>the net pension liability | \$ 6,902,629               | \$ 5,553,748                        | \$ 4,422,856              |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report which can be found at the following link: <http://www.nj.gov/treasury/pensions/financial-rpts-home.shtml>.

**9. COMMITMENTS**

The Authority leases office space under operating leases. The office lease was renewed on December 23, 2014 for a period of five years. Rent expense for the years ended December 31, 2016 and 2015 amounted to \$198,728 and \$194,823, respectively.

The approximate aggregate future minimum annual office rental commitments are as follows:

| Year | Amount            |
|------|-------------------|
| 2017 | \$ 163,000        |
| 2018 | 163,000           |
| 2019 | 163,000           |
|      | <u>\$ 489,000</u> |

**10. 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

In the normal course of business, the Authority is involved in certain legal matters. The Authority is currently involved in two litigation matters, all of which pertain to contract disputes. In the first matter, the Authority is contesting this matter. It is not expected that this matter will be covered by insurance. However, no liability has been recorded, as the outcome of this matter remains uncertain. In the second matter, the Authority is also contesting this matter, and it is adequately covered by insurance. The results would not have a material adverse effect on the financial statements.

**Parking Authority of the City of Newark  
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**11. RECONCILIATION OF BUDGETARY BASIS AND GAAP**

The accompanying "Schedule of Operating Revenues and Expenditures Compared to Budget for the Year Ended December 31, 2016" 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, 2016 is presented below:

|  |    |                  |
|--|----|------------------|
| Excess of revenues over expenditures - budgetary basis | \$ | 344,934          |
| Adjustments to budgetary basis:                        |    |                  |
| Bond principal payment                                 |    | 142,500          |
| Pension expense - net (GASB 68 adjustment)             |    | <u>(629,280)</u> |
| Total adjustments                                      |    | <u>(486,780)</u> |
| Changes in net position - GAAP basis                   | \$ | <u>(141,846)</u> |

**12. SUBSEQUENT EVENTS**

The Authority has evaluated subsequent events occurring after December 31, 2016 through the date of September 22, 2017, which is the date the financial statements were available to be issued. Based on this evaluation the Authority has determined that no subsequent events have occurred which require disclosure in the financial statements.



**SUPPLEMENTARY INFORMATION**

**Parking Authority of the City of Newark  
Essex County, New Jersey  
Schedule of the Authority's Proportionate Share of the Net  
Pension Liability – PERS  
Year Ended December 31, 2016 Through 2014**

|   | 2016         | 2015         | 2014         |
|---|--------------|--------------|--------------|
| Authority's proportion of the net pension liability (Local Group)                                   | 0.02333738%  | 0.02474051%  | 0.02067612%  |
| Authority's proportionate share of the net pension liability  | \$ 6,911,864 | \$ 5,553,748 | \$ 3,871,136 |
| Authority's covered-employee payroll  | \$ 1,609,229 | \$ 1,554,013 | \$ 1,512,623 |
| Authority's proportionate share of the net pension liability as a percentage of its covered payroll | 429.51%      | 357.38%      | 255.92%      |
| Plan fiduciary net position as a percentage of the total pension liability (Local Group)            | 40.14%       | 47.93%       | 52.08%       |

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, this presentation will only include information for those years for which information is available.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**Benefit Changes**

None

**Changes of Assumptions**

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016.

**Parking Authority of the City of Newark  
Essex County, New Jersey  
Schedule of the Authority's Contributions – PERS  
Year Ended December 31, 2016 Through 2014**

|   | 2016             | 2015             | 2014             |
|---|------------------|------------------|------------------|
| Contractually required contributions                                      |                  |                  |                  |
| Regular pension and non-contributory group insurance contributions        | \$ 207,326       | \$ 212,702       | \$ 170,451       |
| Chapter 19 P.L. 2009 Contribution   | <u>714</u>       | <u>706</u>       | <u>702</u>       |
|   | 208,040          | 213,408          | 171,153          |
| Contributions in relation to the contractually required contribution      | <u>(208,040)</u> | <u>(213,408)</u> | <u>(171,153)</u> |
| Contribution deficiency (excess)  | \$ -             | \$ -             | \$ -             |
| Percent of base wages   | 7.06% - 7.20%    | 6.92% - 7.06%    | 6.78% - 6.92%    |
| Authority's covered-employee payroll                                      | \$ 1,609,229     | \$ 1,554,013     | \$ 1,512,623     |
| Contributions as a percentage of the Authority's covered-employee payroll | 12.93%           | 13.73%           | 11.31%           |

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

**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, 2016 and 2015**

|  | 2016                | 2015                |
|--|---------------------|---------------------|
| Cash and investments, January 1,                       | \$ 3,747,420        | \$ 3,797,640        |
| Receipts   |                     |                     |
| Ticket sharing   | 1,908,149           | 2,028,958           |
| Meter collections                                      | 2,455,968           | 2,165,952           |
| Event parking  | 211,935             | 241,480             |
| Lease and other  | 662,807             | 829,941             |
| Interest on investments                                | <u>6,169</u>        | <u>11,732</u>       |
|  | 8,992,448           | 9,075,703           |
| Disbursements  |                     |                     |
| Operating expenses                                     | 4,842,206           | 4,673,199           |
| Purchases of property and equipment                    | 519,822             | 469,834             |
| Payment of loan and interest payable for capital asset | <u>178,125</u>      | <u>185,250</u>      |
|  | 5,540,153           | 5,328,283           |
| Cash and investments, December 31,                     | <u>\$ 3,452,295</u> | <u>\$ 3,747,420</u> |
| Balance comprised of                                   |                     |                     |
| Cash   | \$ 3,412,004        | \$ 3,707,275        |
| Certificate of Deposit                                 | <u>40,291</u>       | <u>40,145</u>       |
|  | <u>\$ 3,452,295</u> | <u>\$ 3,747,420</u> |

**Parking Authority of the City of Newark  
Essex County, New Jersey  
Schedule of Operating Revenues and Expenditures Compared to Budget  
Year Ended December 31, 2016**

|  | <u>2016<br/>Budget</u> | <u>2016<br/>Actual</u> | <u>Favorable<br/>(Unfavorable) *</u> |
|--|------------------------|------------------------|--------------------------------------|
| Operating revenue:                             |                        |                        |                                      |
| Ticket sharing                                 | \$ 2,258,640           | \$ 2,084,286           | \$ (174,354)                         |
| Meter collections                              | 2,564,880              | 2,455,968              | (108,912)                            |
| Residential parking permit                     | 500,000                | -                      | (500,000)                            |
| Event parking                                  | 226,000                | 211,935                | (14,065)                             |
| Food truck permit program                      | 16,500                 | 21,342                 | 4,842                                |
| Miscellaneous income                           | -                      | 9,006                  | 9,006                                |
| MPG lease                                      | 378,267                | 556,147                | 177,880                              |
| Non operating revenue:                         |                        |                        |                                      |
| Reimbursed operating expense - City of Newark  | 55,000                 | -                      | (55,000)                             |
| Interest income                                | 13,900                 | 6,169                  | (7,731)                              |
| <b>Total revenues</b>                          | <u>\$ 6,013,187</u>    | <u>\$ 5,344,853</u>    | <u>\$ (668,334)</u>                  |
| Administrative and cost of providing services: |                        |                        |                                      |
| Salaries                                       | \$ 2,224,306           | \$ 2,026,254           | \$ 198,052                           |
| Fringe benefits and payroll taxes              | 1,097,146              | 1,012,634              | 84,512                               |
| Accounting fees / audit examination            | 65,000                 | 98,500                 | (33,500)                             |
| Legal fees                                     | 60,000                 | 69,824                 | (9,824)                              |
| EE Screening                                   | 5,500                  | 2,701                  | 2,799                                |
| Parking consultant                             | 50,000                 | 64,973                 | (14,973)                             |
| Office expenses                                | 10,000                 | 39,752                 | (29,752)                             |
| Bank fees/visa debit                           | 25,000                 | 31,442                 | (6,442)                              |
| Telephone/wireless                             | 24,200                 | 47,373                 | (23,173)                             |
| Depreciation expense                           | 180,000                | 205,239                | (25,239)                             |
| NPA security / camera upgrade                  | 25,000                 | 6,726                  | 18,274                               |
| Travel/conference/training                     | 40,000                 | 32,600                 | 7,400                                |
| Payroll expense                                | 15,000                 | 12,714                 | 2,286                                |
| Luncheon meeting                               | 5,500                  | 7,040                  | (1,540)                              |
| Advertising                                    | 7,500                  | 2,422                  | 5,078                                |
| Vehicle expense                                | 50,000                 | 48,947                 | 1,053                                |
| Uniforms                                       | 35,000                 | 11,002                 | 23,998                               |
| Equipment maintenance / meter repair           | 216,125                | 48,485                 | 167,640                              |
| IT support                                     | 30,000                 | 28,992                 | 1,008                                |
| Insurance                                      | 226,600                | 225,074                | 1,526                                |
| Postage  | 1,200                  | 1,298                  | (98)                                 |
| Rent   | 209,000                | 198,728                | 10,272                               |
| Parking tax                                    | 40,800                 | 38,218                 | 2,582                                |
| Printing/badges                                | 5,000                  | 6,000                  | (1,000)                              |
| PATS tickets                                   | 13,000                 | 3,970                  | 9,030                                |
| Parking permits                                | 77,000                 | 52,248                 | 24,752                               |
| Parking studies                                | 172,000                | 5,321                  | 166,679                              |
| Parking tax computer equipment                 | 10,000                 | -                      | 10,000                               |
| Event expenses                                 | -                      | 65,610                 | (65,610)                             |

**Parking Authority of the City of Newark  
Essex County, New Jersey  
Schedule of Operating Revenues and Expenditures Compared to Budget  
Year Ended December 31, 2016**

|  | <u>2016<br/>Budget</u> | <u>2016<br/>Actual</u> | <u>Favorable<br/>(Unfavorable) *</u> |
|--|------------------------|------------------------|--------------------------------------|
| (continued)                              |                        |                        |                                      |
| Security consultant                      | 17,500                 | -                      | 17,500                               |
| Remediation services                     | 250,000                | -                      | 250,000                              |
| Office / officers communications         | 35,000                 | -                      | 35,000                               |
| Warranty                                 | 55,000                 | -                      | 55,000                               |
| Residential parking expense              | 103,400                | -                      | 103,400                              |
| Eticket                                  | 126,500                | 51,093                 | 75,407                               |
| Lease payment - City of Newark           | 265,800                | 379,583                | (113,783)                            |
| Total administrative and general         | <u>5,773,077</u>       | <u>4,824,763</u>       | <u>948,314</u>                       |
| Non-operating expense:                   |                        |                        |                                      |
| Bond principal payments                  | 142,500                | 142,500                | -                                    |
| Bond interest payments                   | 35,625                 | 32,656                 | 2,969                                |
| Total non-operating expense              | <u>178,125</u>         | <u>175,156</u>         | <u>2,969</u>                         |
| Total costs funded by operating revenues | 5,951,202              | 4,999,919              | 951,283                              |
| Budgetary revenues over expenses         | <u>61,985</u>          | <u>344,934</u>         | <u>282,949</u>                       |
| Total                                    | <u>\$ 6,013,187</u>    | <u>\$ 5,344,853</u>    | <u>\$ (668,334)</u>                  |

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

**Parking Authority of the City of Newark  
Essex County, New Jersey  
Roster of Officials  
Year Ended December 31, 2016**

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Board of Commissioners

Evelyn Williams  
Deborah Ballard  
Niathan Allen  
James Parrillo  
Hassan Abdus-Sabur  
Raquel Cagley

Position

Chairperson  
Vice Chairperson  
Treasurer  
Secretary  
Commissioner  
Commissioner

Other Officials

Anthony C. Mack, Esq.  
Chigozie U. Onyema, Esq.  
Gabriela Santos

Executive Director  
General Counsel & Director of Development  
Manager of Fiscal Operations & Control

**Parking Authority of the City of Newark  
Essex County, New Jersey  
Miscellaneous Statistics  
Year Ended December 31, 2016**

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|   | <b>Authority</b> |
|---|------------------|
| <b>Form of Government</b>                     |                  |
| Number of employees                           | 47               |
| 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 Responses  
Year Ended December 31, 2016**

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**Schedule of Financial Statement Findings**

This section identifies the significant deficiencies 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.

**Significant Deficiencies**

Finding #2016 – 001

During our audit of the Authority's accounts payable, there were three 2016 invoices totaling \$176,492 not listed on 2016 accounts payable aging.

We recommended that the Authority reviews each invoice and well as open purchase orders at year-end carefully and capturing them to proper period.

Management's Response:

We agree with the substance of the finding. We were not provided any invoices from this vendor prior to March 2017, after the Year End Financial Statements were already prepared. We will record this adjustment and also review all invoices to ensure recording to proper accounting period.

Finding #2016 – 002

During our audit of the Authority's cash, we noted various bank reconciliations with deposits and outstanding checks older than 6 months. The majority of outstanding deposits are from journal entries for interest income and bank charges being recorded twice.

In order to improve control over the Authority's bank reconciliations, we recommended that the Authority investigates these old deposits and outstanding checks in a timely manner. We also recommended that the Authority review adjusting journal entries report on a monthly basis and investigates as well as corrects any errors in timely manner.

Management's Response:

We will investigate those items and make the appropriate disposition. We will also review the monthly adjusting journal entries report on a timely basis to ensure this finding is not repeated.

Finding #2016 -- 003

During our audit of the Authority's fixed assets, a vehicle used for trade-in for a new truck was not accounted in the Authority's general ledger as well as fixed asset ledger. Also, the gain on this deletion was not recognized.

In order to improve control over the Authority's fixed assets, we recommended that the Authority have a fixed asset additions and deletions checklist in place and implemented.

Management's Response:

We will implement a Fixed Asset addition and deletion checklist to ensure this finding is not repeated.