



Newark Parking Authority

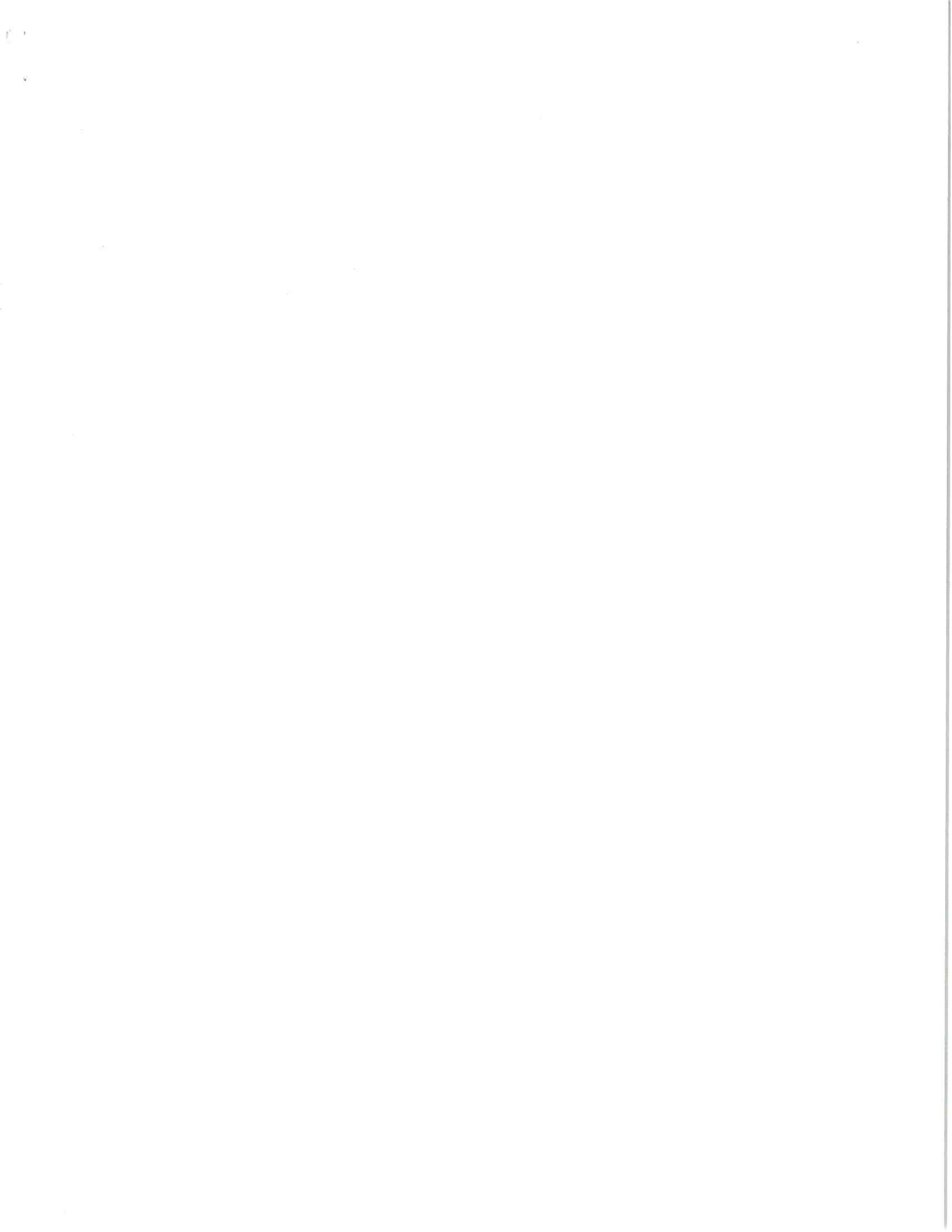
**Financial Statements and
Required Supplementary Information**

December 31, 2017 and 2016

With Independent Auditors' Report

**Parking Authority of the City of Newark
Essex County, New Jersey
December 31, 2017 and 2016**

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

FINANCIAL ANALYSIS OF THE AUTHORITY

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

	2017	2016
Assets and Deferred Outflows of Resources		
Unrestricted	\$ 3,823,389	\$ 4,138,311
Restricted	4,912	4,911
Net capital assets	2,560,353	2,053,396
Deferred outflows of resources	<u>1,936,178</u>	<u>2,642,150</u>
Total assets and deferred outflows of resources	<u>\$ 8,324,832</u>	<u>\$ 8,838,768</u>
Liabilities and Deferred Inflows of Resources		
Long-term liabilities	\$ 5,803,032	\$ 7,339,364
Other liabilities	717,761	957,060
Deferred inflows of resources	<u>1,286,244</u>	<u>228,662</u>
Total liabilities and deferred inflows of resources	7,807,037	8,525,086
Net Position		
Net investment in capital assets	2,132,853	1,483,396
Restricted	4,912	4,911
Unrestricted - undesignated	(2,985,920)	(2,699,085)
Unrestricted - designated for capital projects	<u>1,365,950</u>	<u>1,524,460</u>
Total net position	<u>517,795</u>	<u>313,682</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 8,324,832</u>	<u>\$ 8,838,768</u>

CURRENT ASSETS

Unrestricted cash was approximately \$2,906,000 at December 31, 2017 representing a net decrease of approximately \$500,000 as compared to the December 31, 2016 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. During 2017, \$164,700 was used for Green Street project. Restricted cash had a balance of approximately \$5,000 at December 31, 2017 and 2016. The Authority may utilize this amount to purchase additional fixed assets for the Authority.

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

Accounts receivable increased by approximately \$171,000 from 2016 compared to 2017. 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 \$93,000 from 2016 compared to 2017. Prepaid expenses increased approximately \$14,000 from 2016 compared to 2017. This increase is primarily due to part of the third installment made in 2017.

NONCURRENT ASSETS

Noncurrent assets increased in 2017 by approximately \$507,000 compared to 2016, which is the increase in property and equipment, mainly for Green Street Mixed-Use Development Project, less depreciation of approximately \$196,000.

CAPITAL ASSETS

Capital Assets activities for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Furniture and fixtures	\$ 72,670	\$ 72,670
Improvements	39,382	39,382
Meters	1,988,795	1,988,795
Computers	75,696	75,696
Vehicles	344,563	344,563
Intangible	9,850	9,850
Construction in progress	<u>1,465,991</u>	<u>763,162</u>
	3,996,947	3,294,118
Less: accumulated depreciation and amortization	<u>1,436,594</u>	<u>1,240,722</u>
Net property and equipment	<u>\$ 2,560,353</u>	<u>\$ 2,053,396</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pension decreased in 2017 by approximately \$706,000 compared to 2016. The decrease 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 is decreased by approximately \$239,000. The decrease is primarily due to 2016 accounts payable has two significant invoices totaled \$229,000 relating to Green Street project.

NONCURRENT LIABILITIES

The decrease of approximately \$1,536,000 from 2016 compared to 2017 is due to State actuarial calculation of PERS net pension liability (local only) which resulted an decrease approximately from \$29 billion to \$23 billion. See Note 8 for information.

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pension increased in 2017 by approximately \$1,058,000 compared to 2016. The increase resulted from the State actuarial calculation. See Note 8 for more information.

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

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

	2017	2016
Operating revenues	\$ 5,496,301	\$ 5,338,684
Nonoperating revenues	<u>9,146</u>	<u>6,169</u>
Total revenues	5,505,447	5,344,853
Operating expenses	5,079,931	5,248,804
Depreciation expense	195,872	205,239
Nonoperating expenses	<u>25,531</u>	<u>32,656</u>
Total expenses	<u>5,301,334</u>	<u>5,486,699</u>
Changes in net position	204,113	(141,846)
Net position, beginning of year	<u>313,682</u>	<u>455,528</u>
Net position, end of year	<u>\$ 517,795</u>	<u>\$ 313,682</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 \$158,000. The increase was primarily from an increase in ticket sharing revenue, and meter collections revenue.

OPERATING EXPENSES

Total operating expenses decreased by approximately \$169,000. This decrease was mainly from decrease of pension expense, net. See note 8 for additional information.

NONOPERATING REVENUES AND EXPENSES

Total non-operating revenue and expenses decreased by approximately \$10,000. The decrease was primarily from decrease in interest expense.

NET POSITION

Total assets and deferred outflows of resources of the Authority for the year ended December 31, 2017, were approximately \$8.3 million, while total liabilities and deferred inflows of resources were approximately \$7.8 million resulting in assets exceeding liabilities by approximately \$500,000. For the year ended December 31, 2016, assets exceeded liabilities by approximately \$300,000. Therefore the Authority's net assets increased approximately \$200,000.

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

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 2017 combined budget to actual comparison:

2017 BUDGET VS. ACTUAL

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Operating revenues	\$ 5,491,590	\$ 5,496,301	\$ 4,711
Nonoperating revenues	6,000	9,146	3,146
Total revenues	5,497,590	5,505,447	7,857
Operating appropriations			
Personnel and other	2,202,522	2,172,122	30,400
Fringe benefits	1,162,217	1,088,441	73,776
Administration and general	1,548,400	1,645,518	(97,118)
Total operating appropriations	4,913,139	4,906,081	7,058
Nonoperating appropriations			
Bond principal payment	142,500	142,500	-
Bond interest payment	28,500	25,531	2,969
Total nonoperating appropriations	171,000	168,031	2,969
Total operating and nonoperating appropriations	5,084,139	5,074,112	10,027
Excess - budgetary basis	\$ 413,451	\$ 431,335	\$ 17,884

Actual revenues were relatively consistent with anticipated operating revenues \$5.5 million. Total actual appropriations were also consistent with total anticipated appropriations \$5.1 million. 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%. See note 6 for additional information.

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.

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

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 (the "Authority"), which comprise the statements of net position as of December 31, 2017 and 2016, 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, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The management of the Authority 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 Authority'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 Authority'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, 2017 and 2016, 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 25 to 26, and Schedule of Operating Revenues and Expenditures – Budget and Actual on page 27 to 28 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was 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. Schedule of Cash Receipts and Disbursements and Changes in Cash and Investments is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Schedule of Cash Receipts and Disbursements and Changes in Cash and Investments is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Cash Receipts and Disbursements and Changes in Cash and Investments is 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 October XX, 2018, 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 the effectiveness of the Parking Authority of the City of Newark's 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 Authority's internal control over financial reporting and compliance.

October XX, 2018

**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 year ended December 31, 2017, 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 October XX, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

October XX, 2018

**Parking Authority of the City of Newark
Essex County, New Jersey
Statements of Net Position
December 31, 2017 and 2016**

	2017	2016
Assets and Deferred Outflows of Resources		
Current assets		
Cash and cash equivalents	\$ 1,540,438	\$ 1,882,633
Designated cash	1,365,950	1,524,460
Restricted cash	4,912	4,911
Investments in certificates of deposit	40,392	40,291
Accounts receivable	835,854	664,598
Prepaid expenses	40,755	26,329
Total current assets	<u>3,828,301</u>	<u>4,143,222</u>
Property and equipment, net	2,560,353	2,053,396
Total assets	<u>6,388,654</u>	<u>6,196,618</u>
Deferred outflows of resources		
Pension related	<u>1,936,178</u>	<u>2,642,150</u>
Total assets and deferred outflows of resources	<u>\$ 8,324,832</u>	<u>\$ 8,838,768</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities		
Accounts payable	\$ 97,882	\$ 351,077
Accrued expenses	437,930	385,293
Due to City of Newark	39,449	78,190
Bond - current portion	142,500	142,500
Total current liabilities	<u>717,761</u>	<u>957,060</u>
Non-current liabilities		
Bond - less current portion	285,000	427,500
Net pension liability	<u>5,518,032</u>	<u>6,911,864</u>
Total non-current liabilities	<u>5,803,032</u>	<u>7,339,364</u>
Total liabilities	<u>6,520,793</u>	<u>8,296,424</u>
Deferred inflows of resources		
Pension related	<u>1,286,244</u>	<u>228,662</u>
Net position		
Net investment in capital assets	2,132,853	1,483,396
Restricted cash - parking asset acquisition and upgrade	4,912	4,911
Unrestricted - undesignated	(2,985,920)	(2,699,085)
Unrestricted - designated for capital projects	1,365,950	1,524,460
Total net position	<u>517,795</u>	<u>313,682</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 8,324,832</u>	<u>\$ 8,838,768</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, 2017 and 2016**

	2017	2016
Operating revenues		
Ticket sharing	\$ 2,177,332	\$ 2,084,286
Meter collections	2,586,414	2,455,968
Event parking	257,615	211,935
MPG lease	460,755	556,147
Food truck permit program	14,185	21,342
Miscellaneous income	-	9,006
Total operating revenues	<u>5,496,301</u>	<u>5,338,684</u>
Operating expenses		
Salaries	2,172,122	2,026,254
Fringe benefits and payroll taxes	1,088,441	1,012,634
Pension expense, net - GASB 68 adjustment	369,722	629,280
Professional fees	155,326	233,297
Lease payment - City of Newark	322,550	379,583
Rent	198,728	198,728
Administrative and general expenses	773,042	769,028
Depreciation and amortization	195,872	205,239
Total operating expenses	<u>5,275,803</u>	<u>5,454,043</u>
Operating income (loss)	220,498	(115,359)
Non-operating revenue (expense)		
Interest income	9,146	6,169
Interest expense	(25,531)	(32,656)
Total non-operating revenue (expense)	<u>(16,385)</u>	<u>(26,487)</u>
Changes in net position	204,113	(141,846)
Beginning of year	<u>313,682</u>	<u>455,528</u>
End of year	<u>\$ 517,795</u>	<u>\$ 313,682</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, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Cash received from ticket sharing	\$ 2,142,671	\$ 1,908,149
Cash received from meter collections	2,448,740	2,455,968
Cash received from event parking	257,615	211,935
Cash received from lease and other	462,661	662,807
Payments to employees	(2,134,938)	(1,976,828)
Payments for employee benefits and payroll taxes	(700,298)	(396,623)
Other operating disbursements	(2,133,846)	(2,468,755)
Net cash provided by operating activities	<u>342,605</u>	<u>396,653</u>
Cash flows from investing activities		
Purchase of certificate of deposit	(101)	(146)
Interest on investments	9,146	6,169
Purchases of property and equipment	(681,354)	(519,822)
Net cash used by investing activities	<u>(672,309)</u>	<u>(513,799)</u>
Cash flows from capital and related financing activities		
Interest expense	(28,500)	(35,625)
Repayments of long-term debt	(142,500)	(142,500)
Net cash used by capital and related financing activities	<u>(171,000)</u>	<u>(178,125)</u>
Net decrease in cash	(500,704)	(295,271)
Cash, beginning of year		
Cash	1,882,633	2,183,206
Designated cash	1,524,460	1,519,159
Restricted cash	4,911	4,910
	<u>3,412,004</u>	<u>3,707,275</u>
Cash, end of year		
Cash	1,540,438	1,882,633
Designated cash	1,365,950	1,524,460
Restricted cash	4,912	4,911
	<u>\$ 2,911,300</u>	<u>\$ 3,412,004</u>
Cash flows from operating activities		
Operating income (loss)	\$ 220,498	\$ (115,359)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization expenses	195,872	205,239
Pension expense, net - GASB 68 adjustment	369,722	629,280
Gain on disposition of asset	-	(8,827)
Change in:		
Accounts receivable	(171,256)	(97,180)
Prepaid expenses	(14,426)	44,517
Accounts payable	(274,670)	(156,671)
Accrued expenses	55,606	17,030
Due to City of Newark	(38,741)	(121,376)
Net cash provided by operating activities	<u>\$ 342,605</u>	<u>\$ 396,653</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, 2017 and 2016**

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, 2017 and 2016 the unspent restricted funds amounted to \$4,912 and \$4,911, 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 \$90,653 and \$67,143 for the years ended December 31, 2017 and 2016, 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 2017 through December 2017, and from amounts due from the City of Newark of the Authority's portion of ticket sharing revenue for the months of October 2017 through December 2017. 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 Authority 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, 2017 and 2016 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, 2017 and 2016 approximated \$1,200 and \$2,400, 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, 2017 and 2016 the Authority's cash, cash equivalents and investments consisted of:

	2017	2016
PNC – Checking	\$ 28,275	\$ 28,315
PNC – Money Market	189,751	386,042
PNC – Payroll	-	78,356
City National – Checking	384,780	611,705
City National – Money Market	678,625	604,644
City National – Certificate of Deposit	40,392	40,291
City National – Real Estate Acquisition	257,200	256,870
City National – Real Estate Development	92,403	256,870
City National – Capital Improvement	257,200	256,870
Santander Bank – Checking	22	22
Santander Bank – Restricted	4,912	4,911
Investors Bank – Event Parking	258,485	173,522
Bayonne Community Bank	759,147	753,377
Petty cash	<u>500</u>	<u>500</u>
Total cash, cash equivalents and investments	2,951,692	3,452,295
Less: Investments	<u>40,392</u>	<u>40,291</u>
Total cash and cash equivalents	<u>\$ 2,911,300</u>	<u>\$ 3,412,004</u>

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The carrying amount of the Authority's cash, cash equivalents and investments at December 31, 2017 was \$2,934,206 which consisted of \$2,888,902 unrestricted cash, \$4,912 restricted cash and \$40,392 invested in certificates of deposit, and the bank balance was \$3,073,002. Of the bank balance, \$971,111 was covered by Federal Depository Insurance and \$2,101,891 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 \$1.4 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 2017 and 2016, no such investments were held by the Authority.

As of December 31, 2017 and 2016, the Authority's investments consisted of:

	2017	2016
Certificate of Deposit:		
City National Bank	<u>\$ 40,392</u>	<u>\$ 40,291</u>

This certificate of deposit has a 12 months term with interest rate of 0.20%, and matures on July 17, 2018.

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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 is required to pay approximately \$36,000 each month to the City of Newark, the basic rent which equals the City's debt service payments on the Redevelopment Bonds. After July 2016, the Authority was not required to pay the basic rent as the debt was retired by new financing. 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, 2017 and 2016, the amount due to the City was \$39,449 and \$78,190, respectively, and total lease expense to the City for 2017 and 2016 was \$322,550 and \$379,583, 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. After July 2016, the NJ PAC was not required to pay the basic rent as the debt was retired by a new financing secured by NJ PAC described in the next paragraph. NJ PAC was also required to pay to the Authority forty-five percent of the net profits as defined in the lease.

In July 2016, this sublease was amended whereas the NJ PAC agreed and secured \$3,321,000 Loan. Of this Loan, \$2,321,000 was for retired the Redevelopment Bonds and the remaining \$1,000,000 for finance the Renovation Project. The term of the Loan is 10 years and the debt service will be considered an operating expense for the duration of the Loan.

For the years ended December 31, 2017 and 2016, NJ PAC remitted basic rent in the amounts of \$0 and \$63,500, 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 \$460,755 and \$492,647 for the years ended December 31, 2017 and 2016, respectively. The lease is a net sublease, and all expenses of operation and repair are paid by NJ PAC.

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, 2017 and 2016 amounted to \$25,531 and \$32,656, respectively, with interest payable as of December 31, 2017 and 2016 of approximately \$9,000 and \$12,000, respectively.

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The aggregate annual principal payments applicable to long term debt as of December 31, 2017 are as follows:

Year ending December 31:	Amount
2018	\$ 142,500
2019	142,500
2020	<u>142,500</u>
	<u>\$ 427,500</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 years ending December 31, 2017 and 2016 was as follows:

	January 1, 2017	Additions	Deletion/ Transfer	December 31, 2017
Capital assets not being depreciated:				
Construction in progress	\$ 763,162	\$ 702,829	\$ -	\$ 1,465,991
Total	<u>763,162</u>	<u>702,829</u>	<u>-</u>	<u>1,465,991</u>
Capital assets being depreciated:				
Furniture and fixtures	72,670	-	-	72,670
Improvements	39,382	-	-	39,382
Meters	1,988,795	-	-	1,988,795
Computers	75,696	-	-	75,696
Vehicles	344,563	-	-	344,563
Intangible	9,850	-	-	9,850
Total	<u>2,530,956</u>	<u>-</u>	<u>-</u>	<u>2,530,956</u>
Less accumulated depreciation:				
Furniture and fixtures	57,787	5,323	-	63,110
Improvements	35,492	1,637	-	37,129
Meters	819,123	150,523	-	969,646
Computers	64,134	10,099	-	74,233
Vehicles	254,336	28,290	-	282,626
Intangible	9,850	-	-	9,850
Total	<u>1,240,722</u>	<u>195,872</u>	<u>-</u>	<u>1,436,594</u>
Total capital assets being depreciated, net	<u>1,290,234</u>	<u>(195,872)</u>	<u>-</u>	<u>1,094,362</u>
Net capital assets	<u>\$ 2,053,396</u>	<u>\$ 506,957</u>	<u>\$ -</u>	<u>\$ 2,560,353</u>

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	January 1, 2016	Additions	Deletion/ Transfer	December 31, 2016
Capital assets not being depreciated:				
Construction in progress	\$ 268,661	\$ 759,832	\$ (265,331)	\$ 763,162
Total	268,661	759,832	(265,331)	763,162
Capital assets being depreciated:				
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
Total	2,264,781	107,896	158,279	2,530,956
Less accumulated depreciation:				
Furniture and fixtures	51,563	6,224	-	57,787
Improvements	33,645	1,847	-	35,492
Meters	671,011	148,112	-	819,123
Computers	50,327	13,807	-	64,134
Vehicles	234,834	35,249	(15,747)	254,336
Intangible	9,850	-	-	9,850
Total	1,051,230	205,239	(15,747)	1,240,722
Total capital assets being depreciated, net	1,213,551	(97,343)	174,026	1,290,234
Net capital assets	\$ 1,482,212	\$ 662,489	\$ (91,305)	\$ 2,053,396

Depreciation and amortization expense for the years ended December 31, 2017 and 2016 was \$195,872 and \$205,239, respectively.

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 <https://www.nj.gov/treasury/pensions/financial-reports.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:

Tier	Definition
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

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Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and 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. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50 percent of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. During the years ended December 31, 2017 and 2016, the PERS received employer and employee contributions as follows:

	2017	2016
Employer contributions	\$ 219,597	\$ 207,326
Employee contributions	\$ 129,657	\$ 114,722
Salary basis for contributions	\$ 1,784,411	\$ 1,609,229
Percent of base wages	7.20% - 7.34%	7.06% - 7.20%

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.

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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, 2017 and 2016, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and 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, 2017 and 2016, 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, 2017 and 2016. At December 31, the Authority's proportionate share and net pension liability was as follows:

	2017	2016
PERS net pension liability (Local Group)	\$ 23,278,401,588	\$ 29,617,131,759
Authority net pension liability	5,518,032	6,911,864
Authority's proportion	0.02370451%	0.02333738%

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

	2017	2016
Proportionate share of allocable plan pension expense	\$ 398,006	\$ 659,890
Pension expense related to specific liabilities of individual employers	(219,597)	(207,326)
Net amortization of deferral amounts from changes in proportion	191,310	176,704
Other changes	3	12
Total employer pension expense excluding that attributable to employer-paid member contributions	<u>\$ 369,722</u>	<u>\$ 629,280</u>

At December 31, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS as follows:

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	2017	
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes of assumptions	\$ 1,111,693	\$ 1,107,618
Difference between expected and actual experience	129,931	-
Net difference between projected and actual earnings on pension plan investments	37,574	-
Changes in proportion and differences between the Authority contributions and proportionate share of contributions	656,980	178,626
Authority contributions subsequent to the measurement date	-	-
	<u>\$ 1,936,178</u>	<u>\$ 1,286,244</u>

	2016	
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of 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 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>

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:

Years Ended December 31:	<u>PERS Deferred Outflows/Inflows, Net (Local Group)</u>	<u>Authority Share</u>
2018	\$ 547,996,144	\$ 492,052
2019	826,939,464	742,517
2020	501,083,041	449,927
2021	(666,441,734)	(598,405)
2022	(485,747,054)	(436,157)
	<u>\$ 723,829,861</u>	<u>\$ 649,934</u>

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Actuarial Assumptions

The collective total pension liability for the June 30, 2017 and 2016 measurement date was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively, which was rolled forward to June 30, 2017 and 2016, respectively. This actuarial valuation used the following actuarial assumptions:

	2017	2016
Inflation rate	2.25%	3.08%
Salary increases through 2026	1.65% - 4.15%	1.65% - 4.15%
	based on age	based on age
Thereafter	2.65% - 5.15%	2.65% - 5.15%
	based on age	based on age
Investment rate of return	7.00%	7.65%

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).

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00 percent at June 30, 2017) 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Consolidated Financial Statements
December 31, 2017 and 2016**

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

Discount Rate

The discount rate used to measure the total pension liability was 5.00 percent and 3.98 percent as of December 31, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00 percent, and a municipal bond rate of 3.58 percent and 2.85 percent as of June 30, 2017 and 2016, 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 40 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability measured as of December 31, 2017 and 2016, 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:

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Consolidated Financial Statements
December 31, 2017 and 2016**

	2017		
	At 1 % decrease (4.00%)	At current discount rate (5.00%)	At 1% increase (6.00%)
State	\$ 29,818,581,732	\$ 25,645,622,797	\$ 22,179,578,513
Local	28,878,437,027	23,278,401,588	18,612,878,069
PERS as a whole	<u>\$ 58,697,018,759</u>	<u>\$ 48,924,024,385</u>	<u>\$ 40,792,456,582</u>
Authority's proportionate share of the net pension liability	<u>\$ 6,845,493</u>	<u>\$ 5,518,032</u>	<u>\$ 4,412,092</u>

	2016		
	At 1 % decrease (2.98%)	At current discount rate (3.98%)	At 1% increase (4.98%)
State	\$ 34,422,851,197	\$ 29,390,685,705	\$ 25,246,574,457
Local	36,292,338,055	29,617,131,759	24,106,170,190
PERS as a whole	<u>\$ 70,715,189,252</u>	<u>\$ 59,007,817,464</u>	<u>\$ 49,352,744,647</u>
Authority's proportionate share of the net pension liability	<u>\$ 8,469,683</u>	<u>\$ 6,911,864</u>	<u>\$ 5,625,750</u>

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: <https://www.nj.gov/treasury/pensions/financial-reports.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, 2017 and 2016 amounted to \$198,728 each year.

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

Year	Amount
2018	\$ 163,000
2019	<u>163,000</u>
	<u>\$ 326,000</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.

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Consolidated Financial Statements
December 31, 2017 and 2016**

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 contested and resolved this matter in June 2018, and it was adequately covered by insurance. The results would not have a material adverse effect on the financial statements.

11. RECONCILIATION OF BUDGETARY BASIS AND GAAP

The accompanying "Schedule of Operating Revenues and Expenditures Compared to Budget for the Year Ended December 31, 2017" 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, 2017 is presented below:

Excess of revenues over expenditures - budgetary basis	\$	431,335
Adjustments to budgetary basis:		
Bond principal payment		142,500
Pension expense - net (GASB 68 adjustment)		<u>(369,722)</u>
Total adjustments		<u>(227,222)</u>
Changes in net position - GAAP basis	\$	<u>204,113</u>

12. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events occurring after the balance sheet date through the date of the auditors' report date, which is the date the financial statements were available to be issued. Based on this evaluation the Authority has determined that other than those disclosed below and herein, no additional subsequent events have occurred which require adjustment to or disclosure in the financial statements.

Green Street Mixed Used Parking Facility - Financing

The Authority had a preliminary meeting with the Local Finance Board in August 2018 and received preliminary verbal approval to issue a parking revenue bond not to exceed \$40 million. In October 2018, the Authority submitted a formal application to Local Finance Board and expect to get the final approval in November 2018. This bond is for financing the construction of the Green Street Mixed Use Parking Facility.



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
Years Ended December 31, 2017 Through 2014**

	2017	2016	2015	2014
Authority's proportion of the net pension liability (Local Group)	0.02370451%	0.02333738%	0.02474051%	0.02067612%
Authority's proportionate share of the net pension liability	\$ 5,518,032	\$ 6,911,864	\$ 5,553,748	\$ 3,871,136
Authority's covered-employee payroll	\$ 1,784,411	\$ 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	309.24%	429.51%	357.38%	255.92%

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 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017.

**Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of the Authority's Contributions – PERS
Years Ended December 31, 2017 Through 2014**

	2017	2016	2015	2014
Contractually required contributions				
Regular pension and non-contributory group insurance contribution	\$ 219,597	\$ 207,326	\$ 212,702	\$ 170,451
Chapter 19 P.L. 2009 Contribution	723	714	706	702
	<u>220,320</u>	<u>208,040</u>	<u>213,408</u>	<u>171,153</u>
Contributions in relation to the contractually required contribution	<u>(220,320)</u>	<u>(208,040)</u>	<u>(213,408)</u>	<u>(171,153)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Percent of base wages	7.20% - 7.34%	7.06% - 7.20%	6.92% - 7.06%	6.78% - 6.92%
Authority's covered-employee payroll	\$ 1,784,411	\$ 1,609,229	\$ 1,554,013	\$ 1,512,623
Contributions as a percentage of the Authority's covered-employee payroll	12.35%	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, this presentation will only include information for those years for which information is available.

**Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of Operating Revenues and Expenditures – Budget and Actual
Year Ended December 31, 2017**

	<u>2017 Budget</u>	<u>2017 Actual</u>	<u>Favorable (Unfavorable)</u>
Operating revenue:			
Ticket sharing	\$ 2,269,640	\$ 2,177,332	\$ (92,308)
Meter collections	2,505,650	2,586,414	80,764
Residential parking permit	150,000	-	(150,000)
Event parking	200,000	257,615	57,615
Food truck permit program	25,000	14,185	(10,815)
Miscellaneous income	-	-	-
MPG lease	341,300	460,755	119,455
Non operating revenue:			
Interest income	6,000	9,146	3,146
Total revenues	\$ 5,497,590	\$ 5,505,447	\$ 7,857
Administrative and cost of providing services:			
Salaries	\$ 2,202,522	\$ 2,172,122	\$ 30,400
Fringe benefits and payroll taxes	1,162,217	1,088,441	73,776
Accounting fees & audit examination	65,000	62,000	3,000
Legal fees	60,000	45,047	14,953
EE Screening	5,000	2,285	2,715
Parking consultant	52,000	48,279	3,721
Office expenses	33,000	37,375	(4,375)
Bank fees & visa debit	28,000	39,138	(11,138)
Telephone & wireless	15,000	56,587	(41,587)
Depreciation expense	187,000	195,872	(8,872)
NPA security & camera upgrade	17,200	-	17,200
Travel, conference, and training	35,000	31,373	3,627
Payroll expense	20,000	15,936	4,064
Luncheon meeting	-	9,243	(9,243)
Advertising	7,500	1,195	6,305
Vehicle expense	52,500	64,527	(12,027)
Uniforms	12,500	8,211	4,289
Equipment maintenance & meter repair	23,000	23,303	(303)
IT support	30,000	39,744	(9,744)
Insurance	214,600	190,091	24,509
Postage	1,200	651	549
Rent	204,000	198,728	5,272
Parking tax	40,800	46,465	(5,665)
Printing & badges	6,700	5,573	1,127
PATS tickets	13,000	-	13,000
Parking permits	54,000	44,815	9,185
Parking studies	-	-	-
Event expenses	-	85,325	(85,325)

(continued on the following page)

**Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of Operating Revenues and Expenditures – Budget and Actual
Year Ended December 31, 2017**

	<u>2017 Budget</u>	<u>2017 Actual</u>	<u>Favorable (Unfavorable)</u>
Office & officers communications	37,500	-	37,500
Warranty	5,000	-	5,000
Residential parking expense	30,000	-	30,000
Eticket	60,000	71,205	(11,205)
Lease payment - City of Newark	<u>238,900</u>	<u>322,550</u>	<u>(83,650)</u>
Total administrative and general	4,913,139	4,906,081	7,058
Non-operating expense:			
Bond principal payments	142,500	142,500	-
Interest payments	<u>28,500</u>	<u>25,531</u>	<u>2,969</u>
Total non-operating expense	<u>171,000</u>	<u>168,031</u>	<u>2,969</u>
Total costs funded by operating revenues	5,084,139	5,074,112	10,027
Budgetary revenues over expenses	<u>413,451</u>	<u>431,335</u>	<u>17,884</u>
Total	<u>\$ 5,497,590</u>	<u>\$ 5,505,447</u>	<u>\$ 7,857</u>

**Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of Cash Receipts and Disbursements and
Changes in Cash and Investments
Years Ended December 31, 2017 and 2016**

	2017	2016
Cash and investments, January 1,	\$ 3,452,295	\$ 3,747,420
Receipts		
Ticket sharing	2,142,671	1,908,149
Meter collections	2,448,740	2,455,968
Event parking	257,615	211,935
Lease and other	462,661	662,807
Interest on investments	9,146	6,169
	<u>8,773,128</u>	<u>8,992,448</u>
Disbursements		
Operating expenses	4,969,082	4,842,206
Purchases of property and equipment	681,354	519,822
Payment of loan and interest payable for capital asset	171,000	178,125
	<u>5,821,436</u>	<u>5,540,153</u>
Cash and investments, December 31,	<u>\$ 2,951,692</u>	<u>\$ 3,452,295</u>
Balance comprised of		
Cash	\$ 2,911,300	\$ 3,412,004
Certificate of Deposit	40,392	40,291
	<u>\$ 2,951,692</u>	<u>\$ 3,452,295</u>

**Parking Authority of the City of Newark
Essex County, New Jersey
Roster of Officials
Year Ended December 31, 2017**

Board of Commissioners

Evelyn Williams
Niathan Allen
James Parrillo
Andre Hollis
Raquel Cagley
Paul Oliver

Position

Chairperson
Treasurer
Secretary
Commissioner
Commissioner
Commissioner

Other Officials

Anthony C. Mack, Esq.
C. Lawrence Crump, 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, 2017**

Form of Government	Authority
Number of employees	50
Number of parking spaces Military Park Garage	990
Number of parking meter spaces	2,176

**Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of Findings and Recommendations
Years Ended December 31, 2017 and 2016**

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.

Material Weaknesses

None

**Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of Prior Year Findings
Years Ended December 31, 2017 and 2016**

Schedule of Financial Statement Findings

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Significant Deficiencies

Finding #2016 – 001

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

Status: The finding has been corrected. No such finding was noted in the current year.

Finding #2016 – 002

Condition: 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.

Status: The finding has been corrected. No such finding was noted in the current year.

Finding #2016 – 003

Condition: 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.

Status: The finding has been corrected. No such finding was noted in the current year.