



NEWARK PARKING AUTHORITY
Financial Statements and
Required Supplementary Information
December 31, 2021 and 2020
With Independent Auditor's Reports

**Parking Authority of the City of Newark
Essex County, New Jersey
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December 31, 2021 and 2020**

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**Parking Authority of the City of Newark
Essex County, New Jersey
Management's Discussion and Analysis (Unaudited)
December 31, 2021 and 2020**

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, 2021 and 2020. 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 deficit* 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 deficit*. 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 and cash equivalents resulting from operations, investing activities and capital and related financing activities.

The notes to 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.

Financial Analysis of the Authority

The statement of net deficit and the statement of revenues, expenses, and changes in net deficit report information about the Authority's activities in a way that will help answer this question. These two statements report net deficit of the Authority and the changes in those deficits. Over time, increases or decreases in the Authority's net deficit 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 regulations.

**Parking Authority of the City of Newark
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A summary of the Authority's statements of net position (deficit) are as follows:

CONDENSED STATEMENTS OF NET POSITION (DEFICIT)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets and Deferred Outflows of Resources			
Unrestricted current assets	\$ 1,973,801	\$ 2,075,856	\$ 3,539,648
Restricted current assets	28,268	1,395,802	19,396,521
Capital assets, net	41,961,619	41,210,821	21,846,070
Deferred outflows of resources			1,323,841
Pension related	341,222	798,223	
Fair value of hedging derivatives	3,657,952	5,734,327	3,067,646
Total assets and deferred outflows of resources	<u>\$ 47,962,862</u>	<u>\$ 51,215,029</u>	<u>\$ 49,173,726</u>
Liabilities and Deferred Inflows of Resources			
Current liabilities	\$ 3,654,363	\$ 3,054,294	\$ 1,050,888
Long-term liabilities	44,883,875	48,138,806	45,474,313
Deferred inflows of resources			1,886,349
Pension related	2,211,277	2,090,976	
Total liabilities and deferred inflows of resources	<u>50,749,515</u>	<u>53,284,076</u>	<u>48,411,550</u>
Net Position (Deficit)			
Net investment in capital assets	2,250,514	2,960,369	3,576,964
Restricted	33,182	1,400,716	19,401,435
Unrestricted	<u>(5,070,348)</u>	<u>(6,430,132)</u>	<u>(22,216,223)</u>
Total net position (deficit)	<u>(2,786,652)</u>	<u>(2,069,047)</u>	<u>762,176</u>
Total liabilities, deferred inflows of resources and net position (deficit)	<u>\$ 47,962,862</u>	<u>\$ 51,215,029</u>	<u>\$ 49,173,726</u>

Current Assets

Unrestricted cash was \$1,521,808 at December 31, 2021 representing a net decrease of \$293,872 as compared to the December 31, 2020 balance. The decrease in cash is related to an increase in accounts receivable from the City of Newark. Restricted cash had balance of \$28,268 as of December 31, 2021, representing a decrease of \$1,367,534 as compared to December 31, 2020. This decrease is attributed mainly to the transfer of funds to unrestricted cash in order to finance the Green Street Project Facility.

Accounts receivable as of December 31, 2021 increased by \$143,461 compared to December 31, 2020. The changes are predominately due to the increase in the amount do from the City of Newark. Prepaid expenses as of December 31, 2021 increased \$48,356 compared to December 31, 2020. This increase is primarily due to the Authority prepaying a large portion of its insurance premiums in 2021.

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Management's Discussion and Analysis (Unaudited)
December 31, 2021 and 2020**

Non-current Assets

Non-current assets increased in 2021 by \$750,798 compared to 2020, which was due to an increase in depreciable capital assets, mainly from a completion of the Green Street Mixed-Use Parking Facility project, less depreciation expense of \$832,429.

Capital Assets

Capital assets at December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Non-depreciable capital assets</i>			
Land	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000
Construction in progress	-	38,286,393	18,813,968
Total non-depreciable capital assets	<u>2,100,000</u>	<u>40,386,393</u>	<u>20,913,968</u>
<i>Depreciable capital assets</i>			
Parking facilities	39,822,373	-	-
Furniture and fixtures	97,424	72,670	72,670
Improvements	39,382	39,382	39,382
Meters	2,191,116	2,191,116	2,191,116
Computers	98,190	75,696	75,696
Vehicles	414,997	414,997	332,168
Total depreciable capital assets	<u>42,663,482</u>	<u>2,793,861</u>	<u>2,711,032</u>
Less: Accumulated depreciation and amortization	<u>2,801,863</u>	<u>1,969,433</u>	<u>1,778,930</u>
Total depreciable capital assets, net	<u>39,861,619</u>	<u>824,428</u>	<u>932,102</u>
Capital assets, net	<u>\$ 41,961,619</u>	<u>\$ 41,210,821</u>	<u>\$ 21,846,070</u>

Deferred Outflows of Resources

A *deferred outflow of resources* is defined as "a consumption of net position by the government that is applicable to a future reporting period". Deferred outflows of resources related to pension decreased in 2021 by \$457,001 compared to 2020. The decrease resulted from an overall decrease in pension liability from the State actuarial calculation. Deferred outflows of resources related to hedging derivatives decreased in 2021 by \$2,076,375 compared to 2020 resulting from changes in fair value of hedging derivatives.

Current Liabilities

Current liabilities will be paid in the next twelve (12) months after the balance sheet date. Current liabilities increased by \$600,069. The increase is primarily due to 2021 significant increase in payables related to the payments for the Green Street Project Facility.

**Parking Authority of the City of Newark
Essex County, New Jersey
Management's Discussion and Analysis (Unaudited)
December 31, 2021 and 2020**

Non-current Liabilities

Non-current liabilities will be paid beyond the next twelve (12) months after the balance sheet date. Non-current liabilities decreased by \$3,254,931. The decrease is primarily due to the decrease in accrued interest, in the fair value of the Authority's interest rate swap liability and a decrease in the Authority's proportionate share of the PERS net pension liability.

Deferred Inflows of Resources

A *deferred inflow of resources* is defined as "an acquisition of net position by the government that is applicable to a future reporting period". Deferred inflows of resources related to pension increased in 2021 by \$120,301 compared to 2020. The increase resulted from the State actuarial calculation of deferred inflows of resources related to the Authority's proportionate share of the PERS net pension liability.

A summary of the Authority's statements of revenues, expenses and changes in net deficit are as follows:

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT)

Operating Revenues

The Authority's operating revenues increased by \$2,006,016. The increase was primarily from a significant increase in ticket sharing revenue, meter collections revenue and revenue from Green Street Project Facility completed in 2021.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 5,262,217	\$ 3,267,435	\$ 5,963,598
Non-operating revenues	<u>503,026</u>	<u>63,820</u>	<u>449,667</u>
Total revenues	<u>5,765,243</u>	<u>3,331,255</u>	<u>6,413,265</u>
Operating expenses	4,047,507	4,474,291	5,625,783
Depreciation expense	832,429	190,503	193,231
Non-operating expenses	<u>1,602,912</u>	<u>1,497,684</u>	<u>1,618,636</u>
Total expenses	<u>6,482,848</u>	<u>6,162,478</u>	<u>7,437,650</u>
Changes in net position (deficit)	(717,605)	(2,831,223)	(1,024,385)
Net position (deficit), beginning of year	<u>(2,069,047)</u>	<u>762,176</u>	<u>1,786,561</u>
Net position (deficit), end of year	<u>\$ (2,786,652)</u>	<u>\$ (2,069,047)</u>	<u>\$ 762,176</u>

Operating Expenses

Total operating expenses decreased by \$415,552 based on numbers above. This decrease was mainly from decrease in NJPAC net profits received (see Note 6) and a decrease in lease payments to the City of Newark (see note 10).

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Non-operating Revenues and Expenses

Total non-operating revenue and expenses increased by \$333,977. The increase was primarily from the American Rescue Plan grant the Authority received in 2021.

Net Position (Deficit)

Total assets and deferred outflows or resources of the Authority for the year ended December 31, 2021, were approximately \$47.9 million, while total liabilities and deferred inflows of resources were approximately \$50.7 million, resulting in liabilities and deferred inflows of resources exceeding liabilities and assets and deferred outflows of resources by approximately \$2,786,652.

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 inter-local agreement with the City of Newark, amended its budget with the Division of Local Government Services. The following table provides a 2021 combined budget to actual comparison:

2021 BUDGET VS. ACTUAL

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Operating revenues	\$ 7,911,873	\$ 5,262,217	\$ (2,649,656)
Nonoperating revenues	<u>9,000</u>	<u>503,026</u>	<u>494,026</u>
Total revenues	<u>7,920,873</u>	<u>5,765,243</u>	<u>(2,155,630)</u>
 Operating appropriations			
Personnel and other	2,192,330	2,384,540	(192,210)
Fringe benefits	1,214,146	1,104,611	109,535
Administration and general	<u>1,403,084</u>	<u>1,222,424</u>	<u>180,660</u>
Total operating appropriations	<u>4,809,560</u>	<u>4,711,575</u>	<u>97,985</u>
 Non-operating appropriations			
Bond principal payment	759,462	40,579	718,883
Bond interest payment	<u>1,366,607</u>	<u>1,602,912</u>	<u>(236,305)</u>
Total non-operating appropriations	<u>2,126,069</u>	<u>1,643,491</u>	<u>482,578</u>
 Total operating and non-operating appropriations	<u>6,935,629</u>	<u>6,355,066</u>	<u>580,563</u>
 Excess (deficit) - budgetary basis	<u>\$ 985,244</u>	<u>\$ (589,823)</u>	<u>\$ (1,575,067)</u>

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Debt Administration

Upon execution of the inter-local 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 7 for additional information.

On December 21, 2018, the Authority issued Parking Revenue Bonds, Series 2018 in the amount of \$37,386,500 to finance the construction of the Green Street Mixed-Use Parking Facility. Principal on the bonds is payable the first day of each month that is commencing on January 1, 2022. The bonds mature on June 20, 2050. See Note 7 for more 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.

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 47-63 Green Street, Newark, New Jersey 07102.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Parking Authority of the City of Newark (the "Authority"), a proprietary fund, which comprise the statements of net position (deficit) as of December 31, 2021 and 2020, and the related statements of revenues, expenses and changes in net position (deficit) 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parking Authority of the City of Newark as of December 31, 2021 and 2020, and the changes in its net position (deficit) and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Authority's proportionate share of the net pension liability - PERS, schedule of Authority's contributions - PERS, schedule of the Authority's proportionate share of the net OPEB liability - SHBP, and schedule of Authority's contributions - SHBP, as presented in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of operating revenue and costs funded by operating revenue compared to budget is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of operating revenue and costs funded by operating revenue compared to budget is the responsibility of management and was derived from and relates 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 operating revenue and costs funded by operating revenue compared to budget is fairly stated, in all material respects, in relation to the financial statements as whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the roster of officials but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Withum Smith & Brown, PC

June 27, 2023

**Parking Authority of the City of Newark
Essex County, New Jersey
Statements of Net Position (Deficit)
December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Assets and Deferred Outflows of Resources		
Current assets		
Cash and cash equivalents	\$ 1,521,808	\$ 1,815,680
Restricted cash	28,268	1,395,802
Investments in certificate of deposit	40,548	40,548
Accounts receivable	329,290	185,829
Prepaid expenses	82,155	33,799
Total current assets	<u>2,002,069</u>	<u>3,471,658</u>
Capital assets, net	41,961,619	41,210,821
Total assets	<u>43,963,688</u>	<u>44,682,479</u>
Deferred outflows of resources		
Pension related	341,222	798,223
Fair value of hedging derivatives	3,657,952	5,734,327
Total deferred outflows of resources	<u>3,999,174</u>	<u>6,532,550</u>
Total assets and deferred outflows of resources	<u>\$ 47,962,862</u>	<u>\$ 51,215,029</u>
Liabilities, Deferred Inflows of Resources and Net Deficit		
Current liabilities		
Accounts payable	\$ 1,763,286	\$ 2,618,010
Accrued expenses	241,575	122,129
Accrued interest, current	653,642	131,076
Current portion of long-term debt	995,860	183,079
Total current liabilities	<u>3,654,363</u>	<u>3,054,294</u>
Non-current liabilities		
Accrued interest, net of current portion	384,822	768,649
Long-term debt, net of current portion	37,890,876	37,444,236
Net pension liability	2,950,224	4,191,594
Derivative instrument - interest rate swap	3,657,952	5,734,327
Total non-current liabilities	<u>44,883,874</u>	<u>48,138,806</u>
Total liabilities	<u>48,538,237</u>	<u>51,193,100</u>
Deferred inflows of resources		
Pension related	<u>2,211,277</u>	<u>2,090,976</u>
Net position (deficit)		
Net investment in capital assets	2,250,514	2,960,369
Restricted for:		
Parking asset acquisition and upgrade	4,914	4,914
Construction	28,268	1,395,802
Unrestricted	<u>(5,070,348)</u>	<u>(6,430,132)</u>
Total net deficit	<u>(2,786,652)</u>	<u>(2,069,047)</u>
Total liabilities, deferred inflows of resources and net deficit	<u>\$ 47,962,862</u>	<u>\$ 51,215,029</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 (Deficit)
Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Operating revenues		
Meter collections	\$ 2,243,287	\$ 1,985,489
Ticket sharing	2,137,477	1,102,727
Green Street Garage		
City of Newark lease	604,057	-
Parking	212,276	-
MPG lease	57,532	102,468
Food truck permit program	5,400	3,600
Event parking	2,188	58,125
Miscellaneous income	-	15,026
Total operating revenues	<u>5,262,217</u>	<u>3,267,435</u>
Operating expenses		
Salaries	2,384,540	2,085,739
Fringe benefits and payroll taxes	1,104,611	1,055,898
Pension (benefit) expense, net	(372,461)	281,167
Professional fees	133,659	58,761
Lease payment - City of Newark	4,008	73,897
Rent	38,718	211,100
Administrative and general expenses	754,432	707,729
Depreciation and amortization	832,429	190,503
Total operating expenses	<u>4,879,936</u>	<u>4,664,794</u>
Operating income (loss)	<u>382,281</u>	<u>(1,397,359)</u>
Non-operating revenues (expenses)		
Investment Income	418	57,145
Interest income	2,608	6,675
Grant income	500,000	-
Interest expense	(1,602,912)	(1,497,684)
Total non-operating revenues (expenses)	<u>(1,099,886)</u>	<u>(1,433,864)</u>
Changes in net position (deficit)	<u>(717,605)</u>	<u>(2,831,223)</u>
Net position (deficit)		
Beginning of year	<u>(2,069,047)</u>	<u>762,176</u>
End of year	<u>\$ (2,786,652)</u>	<u>\$ (2,069,047)</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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Operating activities		
Cash received from ticket sharing	\$ 2,051,945	1,325,017
Cash received from meter collections	2,178,457	2,046,783
Cash received from event parking	2,188	58,125
Cash received from lease and other	886,166	188,322
Payments to employees	(2,310,871)	(2,079,501)
Payments for employee benefits and payroll taxes	(1,339,974)	(1,328,900)
Payments to suppliers	(675,456)	(980,849)
Net cash provided by (used in) operating activities	<u>792,455</u>	<u>(771,003)</u>
Noncapital financing activities		
Grant income received	<u>500,000</u>	<u>-</u>
Capital and related financing activities		
Purchases of capital assets	(2,752,135)	(17,536,345)
Proceeds from sale of bonds	1,300,000	-
Principal paid on debt	(40,579)	(38,311)
Interest paid on debt	(1,464,173)	(778,046)
Net cash used in capital and related financing activities	<u>(2,956,887)</u>	<u>(18,352,702)</u>
Investing activities		
Interest and investment income received	<u>3,026</u>	<u>63,820</u>
Net change in cash and cash equivalents	(1,661,406)	(19,059,885)
Cash and cash equivalents		
Beginning of year	<u>3,211,482</u>	<u>22,271,367</u>
End of year	<u>\$ 1,550,076</u>	<u>\$ 3,211,482</u>
Cash and cash equivalents - statements of net position (deficit)		
Cash and cash equivalents	\$ 1,521,808	\$ 1,815,680
Restricted cash	<u>28,268</u>	<u>1,395,802</u>
Total cash and cash equivalents - statements of net position (deficit)	<u>\$ 1,550,076</u>	<u>\$ 3,211,482</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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Operating activities		
Operating income (loss)	\$ 382,281	\$ (1,397,359)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation expense	832,429	190,503
Change in		
Accounts receivable	(143,461)	365,841
Prepaid expenses	(48,357)	38,785
Accounts payable	314,185	184,916
Accrued expenses	119,446	2,445
Unearned revenue	-	(15,029)
Intergovernmental accounts payable	-	(141,093)
Net pension liability	(1,241,370)	(730,257)
Deferred outflows of resources related to pension	457,001	525,618
Deferred inflows of resources related to pension	120,301	204,627
Net cash provided by (used in) operating activities	<u>\$ 792,455</u>	<u>\$ (771,003)</u>
 Noncash Capital and Related Financing Activities		
Increase in fair value of hedging derivatives	<u>\$ 2,078,374</u>	<u>\$ 2,666,681</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 Financial Statements
December 31, 2021 and 2020**

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"). 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 ("U.S. GAAP").

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, of towing services and storage and impound facilities; (ii) operating the parking meter operation of the City, including maintenance, service, 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, 2021 and 2020 the unspent restricted funds amounted to \$4,914. The Authority was held liable for Bond Anticipation Notes in the amount of \$1,425,000, which is explained in detail in Note 7.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements

The Authority presents its financial statements in accordance with U.S. GAAP, as established by the Governmental Accounting Standards Board ("GASB"). For financial reporting purposes, the Authority is considered a special-purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-Agency transactions have been eliminated.

The Authority adopted the provisions of GASB 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 deficit, a statement of revenues, expenses, and changes in net deficit, and a statement of cash flows. It requires the classification of net deficit into three components, invested in capital assets, net of related debt, restricted and unrestricted.

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Financial Statements
December 31, 2021 and 2020**

The classifications of net deficit 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 position 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 does 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.

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 U.S GAAP 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, the net pension liability and related deferred outflows and inflows of resources, and derivative swap liability.

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Financial Statements
December 31, 2021 and 2020**

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 follows the guidance under provision of GASB Statement Number 16, *Accounting for Accumulated Absences*. 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 \$170,594 and \$96,922 as of December 31, 2021 and 2020, respectively. Such amount is reflected on the statements of net deficit in accrued expenses.

Accounts Receivable

Accounts receivable is primarily comprised of amounts due from the City of Newark of the Authority's portion of ticket sharing revenue. The Authority believes that an allowance for doubtful accounts is not necessarily due to its past history of collecting all accounts from 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, 2021 and 2020, management has determined that there was no impairment of capital assets.

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 represent 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 deferred outflows of resources related to hedging derivative instruments represent the cumulative change in its fair value.

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

Pension

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Jersey Public Employees' Retirement System ("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.

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Financial Statements
December 31, 2021 and 2020**

Derivative Instruments - Interest Rate Swap

The Authority entered into an interest rate swap agreement with a counterparty to hedge the interest rate exposure associated with variable-rate debt and to reduce the overall borrowing costs. The swap is structured whereby the Authority pays a fixed interest rate to counterparty in exchange for the same counterparty paying to the Authority a variable interest rate, which is established based upon a common market index.

The swap is reported at fair value and classified as a hedging derivative. The hedging derivative includes a swap with critical terms that has not changed since its inception. The fair value of the hedging derivative is reported as a deferred outflow of resources in the statements of net position (deficit), which equals the value of the corresponding swap liability.

Recent Adopted Accounting Pronouncements

Accounting for Interest Cost Incurred Before the End of a Construction Period

The Authority adopted GASB Statement No.89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period.

This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest costs incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

The Authority adopted the economic resources measurement focus therefore interest cost has been expensed in the period the costs were incurred. In June 2021, the construction of Green Street Project was completed.

Recent Accounting Pronouncements Not Yet Effective

Leases

On June 28, 2017, the GASB issued GASB Statement No. 87, *Leases*, a new lease accounting standard which creates accounting standards for governmental entities under GAAP. Previously, governmental entities reported their leases similar to how private entities reported leases.

**Parking Authority of the City of Newark
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The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governmental entities. This statement increases the usefulness of government financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principles that leases are financing of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about a government's leasing activities. This statement was effective for years beginning after December 15, 2019. In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which delays the effective date for one and a half years. This statement is now effective for periods beginning after June 15, 2021. Earlier application is permitted.

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 expenditure 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 schedule of operating revenues and expenditures - budget and actual has been prepared on a legally prescribed basis of accounting, which differs from U.S. GAAP in certain respects. Note 12 has been prepared to identify these revenue and expenditure differences.

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 the Board of Commissioners without the Division of Local Government Services' approval.

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits

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

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Financial Statements
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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 5% of the average daily balance of public funds; or
- If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

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. Investments include certificates of deposit with an initial maturity 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.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation. The standard of prudence to be used by the Authority shall be the "prudent person" standard which states:

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the possible income to be derived.

The above standard is established as the standard for professional responsibility and shall be applied in the context of managing the Authority's overall portfolio. At December 31, 2021 and 2020, the Authority's investments representing greater than 5% of their portfolio were non-negotiable certificates of deposit, which totaled \$40,548.

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 has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Authority's financial condition, results of operations, and cash flows. The Authority's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets.

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Financial Statements
December 31, 2021 and 2020**

The carrying amount of the Authority's cash, cash equivalents, and investments consisted of the following at December:

	2021		2020	
	Bank	Book	Bank	Book
Unrestricted cash	\$ 754,158	\$ 1,521,808	\$ 2,069,673	\$ 1,815,680
Restricted cash	28,268	28,268	1,395,802	1,395,802
Certificate of deposit	40,719	40,548	40,651	40,548
	<u>\$ 823,145</u>	<u>\$ 1,590,624</u>	<u>\$ 3,506,126</u>	<u>\$ 3,252,030</u>

Of the bank balance at December 31, 2021 and 2020, \$724,895 and \$1,666,909, respectively, was covered by Federal Depository Insurance. The remaining bank balances were 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.

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.

Investments at December 31, 2021 and 2020 consist of nonnegotiable certificates of deposit.

Based upon existing investment policies, the Authority is generally not exposed to interest rate risk as investments mature one year or less or are held to maturity. All current investments or underlying investments are nonnegotiable certificates of deposit, thereby mitigating credit risk, concentration of credit risk and interest rate risks nor are its deposits and investments exposed to foreign currency risks.

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Financial Statements
December 31, 2021 and 2020**

5. CAPITAL ASSETS, NET

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, 2021 and 2020 was as follows:

	Balance 1/1/2021	Additions	Retirements/ Reclassifications	Balance 12/31/2021
Capital assets not being depreciated				
Land	\$ 2,100,000	\$ -	\$ -	\$ 2,100,000
Construction in progress	38,286,393	-	38,286,393	-
Total	<u>40,386,393</u>	<u>-</u>	<u>38,286,393</u>	<u>2,100,000</u>
Capital assets being depreciated				
Parking facilities	-	39,822,373	-	39,822,373
Furniture and fixtures	72,670	24,754	-	97,424
Improvements	39,382	-	-	39,382
Meters	2,191,116	-	-	2,191,116
Computers	75,696	22,494	-	98,190
Vehicles	414,997	-	-	414,997
Total	<u>2,793,861</u>	<u>39,869,621</u>	<u>-</u>	<u>42,663,482</u>
Less: Accumulated depreciation				
Parking facilities	-	663,706	-	663,706
Furniture and fixtures	72,670	-	-	72,670
Improvements	39,382	-	-	39,382
Meters	1,466,322	127,673	-	1,593,996
Computers	75,696	-	-	75,696
Vehicles	315,363	41,050	-	356,413
Total	<u>1,969,433</u>	<u>832,429</u>	<u>-</u>	<u>2,801,863</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>824,428</u>	<u>39,037,192</u>	<u>-</u>	<u>39,861,619</u>
Capital assets, net	<u>\$ 41,210,821</u>	<u>\$ 39,037,192</u>	<u>\$ 38,286,393</u>	<u>\$ 41,961,619</u>

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Financial Statements
December 31, 2021 and 2020**

	Balance 1/1/2020	Additions	Retirements/ Reclassifications	Balance 12/31/2020
Non-depreciable capital assets				
Land	\$ 2,100,000	\$ -	\$ -	\$ 2,100,000
Construction in progress	18,813,968	19,472,425	-	38,286,393
Total	<u>20,913,968</u>	<u>19,472,425</u>	<u>-</u>	<u>40,386,393</u>
Depreciable capital assets				
Furniture and fixtures	72,670	-	-	72,670
Improvements	39,382	-	-	39,382
Meters	2,191,116	-	-	2,191,116
Office equipment	75,696	-	-	75,696
Vehicles	<u>332,168</u>	<u>82,829</u>	<u>-</u>	<u>414,997</u>
Total	<u>2,711,032</u>	<u>82,829</u>	<u>-</u>	<u>2,793,861</u>
Less: Accumulated depreciation				
Furniture and fixtures	71,978	692	-	72,670
Improvements	38,988	394	-	39,382
Meters	1,307,488	158,834	-	1,466,322
Office equipment	75,696	-	-	75,696
Vehicles	<u>284,780</u>	<u>30,583</u>	<u>-</u>	<u>315,363</u>
Total	<u>1,778,930</u>	<u>190,503</u>	<u>-</u>	<u>1,969,433</u>
Total depreciable capital assets, net of accumulated depreciation	<u>932,102</u>	<u>(107,674)</u>	<u>-</u>	<u>824,428</u>
Capital assets, net	<u>\$ 21,846,070</u>	<u>\$ 19,364,751</u>	<u>\$ -</u>	<u>\$ 41,210,821</u>

Depreciation and amortization expense for the years ended December 31, 2021 and 2020 was \$832,429 and \$190,503, respectively.

6. 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 70% of the net profits as defined in the lease. The remaining 30% is retained by the Authority for operations.

For the years ended December 31, 2021 and 2020, the amount due to the City was \$-0- and \$-0-, respectively, and total lease expense to the City for 2021 and 2020 was \$4,008 and \$66,897 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 the Authority 45% of the net profits as defined in the lease.

**Parking Authority of the City of Newark
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In July 2016, this sublease was amended whereas the NJPAC agreed to and secured a \$3,321,000 Loan. Of this Loan, \$2,321,000 was for the retirement of the Redevelopment Bonds and the remaining \$1,000,000 was to 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.

The net profits paid to the Authority by NJPAC were \$57,532 and \$102,468 for the years ended December 31, 2021 and 2020, respectively. Of the net profits paid to the Authority, \$4,008 and \$66,897 was remitted to the City of Newark for the years ended December 31, 2021 and 2020, respectively. Less than 70% was remitted during 2021 due to monthly net losses from 2021 and 2020 offsetting monthly net profits.

7. LONG-TERM DEBT

Parking Meter Bond

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 the final payment due June 1, 2022. The annual principal repayments of \$142,500 are due until maturity. The notes bore interest at 5.00%. Interest expense for the years ended December 31, 2021 and 2020, amounted to \$7,125 and \$7,125, respectively.

Bond Series 2018

On December 21, 2018, the Authority issued Parking Revenue Bonds, Series 2018 in the amount of \$37,386,500 to finance the construction of the Green Street Mixed-Use Parking Facility. Principal is payable on the first day of each month, commencing on July 1, 2020. The Bonds mature on December 20, 2048.

On July 30, 2020, the Authority entered into a first amendment to the Series 2018 bond agreement which deferred the principal payment date until January 1, 2021 and the bond maturity date to June 20, 2049. The amendment also deferred unpaid interest for the period June 1, 2020 through and including November 30, 2020 in the amount of \$768,649 ("2020 deferred interest"), payable in six monthly installments beginning January 1, 2021. After the amendment, the Bonds were set to mature on June 20, 2049.

On November 5, 2020, the Authority entered into a second amendment to the Series 2018 bond agreement which extended the construction period for the Green Street Construction Project through December 31, 2020.

On January 29, 2021, the Authority entered into a third amendment to the Series 2018 bond agreement which deferred the principal payment date and 2020 deferred interest payment date until January 1, 2022. After the amendment, the Bonds were set to mature on June 20, 2050.

On May 28, 2021, the Authority entered into a fourth amendment to the Series 2018 bond agreement which extended the construction period for the Green Street Construction Project through the earlier of June 30, 2021 or the completion of construction of the project.

Interest on the bond is payable monthly using variable interest rates reset on a monthly basis based on the London Interbank Offered Rate ("LIBOR"). At December 31, 2021 and 2020, the variable interest rate payable was 1.71% and 1.76%, respectively.

**Parking Authority of the City of Newark
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December 31, 2021 and 2020**

The Authority is required to annually satisfy certain covenant requirements, including maintaining an EBITDA ratio and furnishing audited financial statements within one hundred and fifty days after the close of each fiscal year. The Authority was not in compliance with these covenants as of December 31, 2021 and 2020 and received a waiver for each year.

Swap Payments and Associated Debt

Net swap payments and related debt service requirements subsequent to December 31, 2021, assuming current interest rates remain the same for the term of the agreement, are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 701,770	\$ 1,525,903	\$ 2,227,673
2023	731,208	1,496,464	2,227,672
2024	761,882	1,465,791	2,227,673
2025	789,892	1,437,781	2,227,673
2026	826,978	1,400,695	2,227,673
2027-2031	4,681,761	6,456,603	11,138,364
2032-2036	5,749,704	5,388,660	11,138,364
2037-2041	7,059,812	4,078,552	11,138,364
2042-2046	8,673,853	2,464,511	11,138,364
2047-2050	7,409,640	572,855	7,982,495
	<u>\$ 37,386,500</u>	<u>\$ 26,287,815</u>	<u>\$ 63,674,315</u>

As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fair Value of Financial Instruments

The fair value of the bonds payable, estimated based on market prices for similar bond issues as based on a recent bond issuance and market interest rates (4% rate utilized), is approximately \$38 million and \$37.6 million at December 31, 2021 and 2020, respectively.

Subordinate Mortgage Note

On January 29, 2021 Parking Authority of Newark entered into a Credit Agreement- Subordinate Mortgage, Security Agreement and Fixture Filing with TD Bank, National Association (the "Note"). The Note in the aggregate principal amount of \$1,300,300 may be amended, modified and/or restated. The Note bears interest at 4.43% per annum and is payable in consecutive monthly installments during the Drawdown Period. During the Amortization Period, the Note principal and interest are payable on the first day of the month commencing on March 1, 2022 and continuing until the Maturity Date. The Note matures on January 28, 2031.

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Aggregate remaining principal maturities and interest on the subordinate mortgage note are as follows as of December 31, 2021:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 108,609	\$ 56,365	\$ 164,974
2023	123,579	50,984	174,563
2024	129,112	45,451	174,563
2025	135,165	39,397	174,562
2026	141,362	33,200	174,562
2027-2031	662,173	65,169	727,342
	<u>\$ 1,300,000</u>	<u>\$ 290,566</u>	<u>\$ 1,590,566</u>

Debt Service Requirements

The Authority is leasing pay and display meters totaling \$172,797 under capital leases. The following is a schedule of future lease payments as of December 31, 2021:

<u>Year Ending December 31</u>	<u>Total</u>
2022	\$ 44,762
2023	14,920
Total minimum lease payments	59,682
Less: Amount representing interest	(1,946)
Present value of net minimum lease payments	<u>\$ 57,736</u>

The tables below summarize the total additions and total reductions in long-term liabilities during fiscal years 2021 and 2020.

	<u>Balance 1/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2021</u>	<u>Current Portion</u>
Long-term debt					
Parking meter bond	\$ 142,500	\$ -	\$ -	\$ 142,500	\$ 142,500
Series 2018 bond	37,386,500	-	-	37,386,500	701,770
Capital lease	98,315	-	(40,579)	57,736	42,981
TD Bank note	-	1,300,000	-	1,300,000	108,609
Total long-term debt	37,627,315	1,300,000	(40,579)	38,886,736	995,860
Accrued interest	899,725	1,602,912	(1,464,173)	1,038,464	653,642
Net pension liability	4,191,594	-	(1,241,370)	2,950,224	-
Derivative instrument					
- interest rate swap	5,734,327	-	(2,076,375)	3,657,952	-
Total	<u>\$ 48,452,961</u>	<u>\$ 2,902,912</u>	<u>\$ (4,822,497)</u>	<u>\$ 46,533,376</u>	<u>\$ 1,649,502</u>

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	<u>Balance 1/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2020</u>	<u>Current Portion</u>
Long-term debt					
Parking meter bond	\$ 142,500	\$ -	\$ -	\$ 142,500	\$ 142,500
Series 2018 bond	37,386,500	-	-	37,386,500	-
Capital lease	<u>136,626</u>	<u>-</u>	<u>(38,311)</u>	<u>98,315</u>	<u>40,579</u>
Total long-term debt	37,665,626	-	(38,311)	37,627,315	183,079
Accrued interest	180,087	1,497,684	(778,046)	899,725	131,076
Net pension liability	4,921,851	-	(730,257)	4,191,594	-
Derivative instrument					
- interest rate swap	<u>3,067,646</u>	<u>2,666,681</u>	<u>-</u>	<u>5,734,327</u>	<u>-</u>
Total	<u>\$ 45,835,210</u>	<u>\$ 4,164,365</u>	<u>\$ (1,546,614)</u>	<u>\$ 48,452,961</u>	<u>\$ 314,155</u>

8. HEDGING DERIVATIVE INSTRUMENT - INTEREST RATE SWAP

In order to both reduce the Authority's overall cost of borrowing long-term capital and protect against the potential of rising interest rates, the Authority entered into a pay-fixed receive-variable interest rate swap agreement. The objective of the swap is to hedge against changes in the cash flows of the associated variable-rate bonds.

Swaps are deemed either hedging derivative instruments or investment derivative instruments based upon the effectiveness of the agreements to hedge against interest rate exposure associated with variable-rate debt. The regression analysis method is used to determine whether the swaps are an effective hedge. Based upon these criteria, the Authority's derivative is considered a hedging derivative.

The fair value of hedging derivatives is reported as Derivative Instruments - Interest Rate Swap. The changes in fair value of hedging derivative instruments are reported within Deferred Outflows of Resources. Fair values are obtained from calculations prepared by a valuation provider and approximate the current economic value using market indexes, interest rates and cash flow models. The fair value represents the current price to settle the swap in the marketplace if the swap agreement were to end unexpectedly.

Since interest rates have generally decreased since the swap became effective, the Authority's portfolio of swaps had a negative fair value at December 31, 2021.

Fair Value

Interest rate swaps are reported at fair value measured by Level 2 inputs based upon observable values other than quoted prices, including interest rates and yield curves observable at commonly quoted intervals, implied volatilities, and other market-corroborated inputs.

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The fair value and notional amount of the derivative instrument outstanding at December 31, 2021 and 2020, and the changes in fair value of the derivative instrument for the years then ended as reported in the 2021 and 2020 financial statements are as follows:

Bond Series	Effective Date	Maturity Date	Fixed Rate Paid	Variable-rate Received*	Current Notional Amount	Counterparty	Moody's/ S&P	2021 Fair Value
2018 Parking Revenue Bond	December 21, 2018	December 20, 2050	4.06%	81.5% of 1-month LIBOR plus 163 basis points	\$0	TD Bank	Aa1/AA-	\$ (3,657,953)
Bond Series	Effective Date	Maturity Date	Fixed Rate Paid	Variable-rate Received*	Current Notional Amount	Counterparty	Moody's/ S&P	2020 Fair Value
2018 Parking Revenue Bond	December 21, 2018	December 20, 2049	4.06%	81.5% of 1-month LIBOR plus 163 basis points	\$0	TD Bank	Aa1/AA-	\$ (5,734,327)

The terms and other information respective of the Authority's hedging derivative instrument outstanding at December 31, 2021, are detailed as follows:

	December 31, 2020	Changes in Fair Value		at December 31, 2021		
		Classification	Amount	Classification	Amount	Notional
Cash flow hedges						
Pay-fixed interest rate swap	\$ (5,734,327)	Deferred Outflow of Resources	\$ 2,076,374	Non-current liabilities	\$ (3,657,953)	\$ 37,386,500
	December 31, 2019	Changes in Fair Value		at December 31, 2020		
Cash flow hedges						
Pay-fixed interest rate swap	\$ (3,067,646)	Deferred Outflow of Resources	\$ (2,666,681)	Non-current liabilities	\$ (5,734,327)	\$ 37,386,500

*Variable-rate was 1.71% and 1.76% at December 31, 2021 and 2020 respectively.

Credit Risk

On December 31, 2021 and 2020, the Authority's hedging derivative was not exposed to credit risk. The Authority's swap relies upon the performance of the counterparty. If the interest rate rises and the total fair value of the swap with the counterparty becomes positive, the Authority may be exposed to credit risk on the agreement - the risk that the counterparty fails to perform according to contractual obligations.

Basis Risk and Interest Rate Risk

The Authority is exposed to basis risk to the extent the changes in the rates associated with the Authority's variable-rate bonds do not exactly offset the changes in the index rates associated with the corresponding swap. The Authority is not exposed to interest rate risk on its swap.

Rollover Risk

Rollover risk is the risk that a swap associated with a bond issue does not extend to the maturity of that debt, thereby creating unhedged variable-rate debt. The swap is exposed to rollover risk. The Bond maturity date is June 20, 2050, and the swap termination date is December 20, 2028.

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Termination Risk

The Authority maintains the option to terminate its swap at any time, while the Authority or the counterparty may terminate a swap if either party fails to perform under the terms of the agreement. If a swap has a negative fair value at the time of termination, the Authority would be liable to the counterparty for an amount equal to that negative fair value.

9. 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 Annual Comprehensive Financial Report ("ACFR") which can be found at www.state.nj.us/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.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55 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 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. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2021, the State's pension contribution was less than the actuarial determined amount.

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The local employers' 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% of the normal and accrued liability contribution amounts certified for payments due in the State fiscal year 2009. Such employers will be credited with full payment and any such amounts will not be included in their unfunded liability. The actuaries determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This 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, 2021 and 2020, the PERS received employer and employee contributions as follows:

	<u>2021</u>	<u>2020</u>
Employer contributions	\$ 291,652	\$ 281,185
Employee contributions	\$ 132,716	\$ 117,050
Salary basis for contributions	\$ 1,769,544	\$ 1,560,668
Percent of base wages	7.50%	7.50%

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, 2021 and 2020, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 and 2019, respectively. 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, 2021 and 2020, 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, 2021 and 2020.

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At December 31, the Authority's proportionate share and net pension liability was as follows:

	<u>2021</u>	<u>2020</u>
Authority net pension liability	\$ 2,950,224	\$ 4,191,594
Authority's proportion	0.0249037622%	0.0257036530%

Pension expense, net is comprised of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Proportionate share of allocable plan pension expense	\$ (664,068)	\$ (12)
Net amortization of deferral amounts from changes in proportion	<u>291,607</u>	<u>281,179</u>
Total employer pension expense excluding that attributable to employer-paid member contributions	<u>\$ (372,461)</u>	<u>\$ 281,167</u>

At December 31, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS as follows:

	<u>2021</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 15,365	\$ 1,050,299
Difference between expected and actual experience	46,529	21,120
Net difference between projected and actual earnings on pension plan investments	-	777,167
Changes in proportion and differences between the Authority contributions and proportionate share of contributions	<u>279,328</u>	<u>362,691</u>
	<u>\$ 341,222</u>	<u>\$ 2,211,277</u>

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	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 135,980	\$ 1,755,060
Difference between expected and actual experience	76,322	14,823
Net difference between projected and actual earnings on pension plan investments	143,272	-
Changes in proportion and differences between contributions and proportionate share of contributions	442,649	321,093
	<u>\$ 798,223</u>	<u>\$ 2,090,976</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:

	Authority Share
2022	\$ (728,604)
2023	(520,222)
2024	(354,702)
2025	(266,631)
2026	104
	<u>\$ (1,870,055)</u>

Actuarial Assumptions

The collective total pension liability for the June 30, 2021 and 2020 measurement date was determined by an actuarial valuation as of July 1, 2019 and 2018, respectively, which was rolled forward to June 30, 2021 and 2020, respectively. This actuarial valuation used the following actuarial assumptions:

	2021	2020
Inflation rate		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary increases through 2026	2.00%-6.00%	2.00%-6.00%
	based on years of service	based on years of service
Thereafter	3.00%-7.00%	3.00%-7.00%
	based on years of service	based on years of service
Investment rate of return	7.00%	7.00%

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For June 30, 2021 and 2020, the following assumptions were used:

Preretirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis.

Postretirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021 and Scale MP-2020, respectively.

The actuarial assumptions used in the July 1, 2020 and 2019 valuations were based on the results of an actuarial experience study for the period from July 1, 2014 to June 30, 2018.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021 and 2020 respectively) 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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Estate	8.00%	9.15%
Real Assets	3.00%	7.40%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

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Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equity	27.00%	7.71%
Non-U.S. developed markets equity	13.50%	8.57%
Emerging markets equity	5.50%	10.23%
Private equity	13.00%	11.42%
Real assets	3.00%	9.73%
Real estate	8.00%	9.56%
High yield	2.00%	5.95%
Private credit	8.00%	7.59%
Investment grade credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk mitigation strategies	3.00%	3.40%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% and 5.00% as of June 30, 2021 and 2020, respectively. 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 and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

For the year ended June 30, 2020, 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 based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers for the year ended June 30, 2020.

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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, 2021 and 2020, 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:

	2021		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
Authority's proportionate share of the net pension liability	\$ 4,017,607	\$ 2,950,224	\$ 2,044,398
	2020		
	At 1% Decrease (5.28%)	At Current Discount Rate (6.28%)	At 1% Increase (7.28%)
Authority's proportionate share of the net pension liability	\$ 5,276,518	\$ 4,191,594	\$ 3,271,007

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 www.state.nj.us/treasury/pensions/financial-reports.shtml.

10. NET DEFICIT

At December 31, 2021 and 2020, the Authority had an unrestricted net deficit of \$5,070,348 and \$6,430,132, respectively. There are several reasons for the deficit. The recognition of the Authority's proportionate share of the net pension liability and related deferred inflows and outflows of resources for financial reporting purposes resulted in a reduction of the Authority's net position of \$4,820,279 and \$5,484,347 as of December 31, 2021 and 2020, respectively. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, transfers in, and market performance of Plan investments managed by the New Jersey Division of Investment) to make the scheduled pension payments. The COVID-19 pandemic had a significant adverse effect on the revenue streams of the Authority. Parking enforcement and meter revenue were significantly impacted by the lockdowns and the hybrid working environment which many businesses in the City embraced. Additionally, legislation signed by the Governor, eliminating the use of mandatory driver's license suspensions as a penalty for certain non-moving offenses, negatively impacted the ticket share revenue received from the City. The legislation led to a reduction in the overall number of driver's license suspensions and, therefore, a reduction in corresponding state, county, and municipal revenues related to license suspensions. The Authority has experienced a substantial revenue loss in ticket share due to thousands of tickets dismissed by Municipal Court and the Administrative Office of the Courts.

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11. COMMITMENTS

Operating Leases

Lessee

The Authority leases office space under operating leases. The office lease was renewed on December 23, 2014 for a period of five years. On December 24, 2019, the term of the lease was extended on a month-to-month basis with either party having the right to terminate upon at least thirty days' prior written notice. Rent expense for the years ended December 31, 2021 and 2020 amounted to \$49,952 and \$185,028, respectively.

Lessor

The Authority leases office space to the City of Newark under a non-cancelable lease arrangement which expires in May 2051. Lease arrangements which contain escalating rent are measured on a straight-line basis and the associated asset (liability) is shown in the statements of net deficit as rent receivable (unearned rent). Rental income from the lease was \$604,057 and \$-0- for the years ending December 31, 2021 and 2020, respectively.

Minimum annual rentals under the non-cancelable lease arrangement are as follows at December 31, 2021:

<u>Year Ending December 31</u>	<u>Total</u>
2022	\$ 724,869
2023	724,869
2024	755,072
2025	761,112
2026	761,112
Thereafter	<u>23,020,881</u>
	<u>\$ 26,747,915</u>

12. CONTINGENT LIABILITIES

Litigation

In the normal course of business, the Authority is involved in certain legal matters. The Authority is currently involved in a litigation matter which pertains to a contract dispute that relates to one of the Authority's capital projects. The Plaintiff has presented a settlement demand of \$850,000, which has been accepted. Consequently, the Authority recognized \$850,000 in liability and added additional costs to the project. In July 2021 the project was completed, and total costs are capitalized. See also note 14.

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13. RECONCILIATION OF BUDGETARY BASIS AND GAAP

The accompanying schedule of operating revenues and expenditures compared to budget for the year ended December 31, 2021 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 U.S GAAP, a reconciliation of resultant basis, timing, perspective, and entity differences between excess of revenues under expenditures - budgetary basis and change in net deficit as presented in the statement of revenues, expenses, and changes in net deficit for the year ended December 31, 2021 is presented below:

Excess of revenues under expenditures - budgetary basis	\$ (589,823)
Adjustments to budgetary basis	
Depreciation expense	(832,429)
Bond principal payment	40,579
Pension expense - net (GASB 68 adjustment)	<u>664,068</u>
Total adjustments	<u>(127,782)</u>
Change in net deficit	<u>\$ (717,605)</u>

14. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events occurring after the statement of net deficit date through the June 27, 2023, the date the financial statements were available to be issued. Based on this evaluation, the Authority has determined that, other than the matter noted below, no additional subsequent events have occurred which require adjustment to or disclosure in the financial statements.

On July 27, 2022, the Authority entered into a settlement agreement regarding a contract dispute. The parties settled all existing differences and disputes in connection with the capital project and closed out the parties' obligations to each other under the contract. The Authority accrued the agreed upon final contract payment of \$850,000 as a component of accounts payable as of December 31, 2021.



REQUIRED SUPPLEMENTARY INFORMATION

**Parking Authority of the City of Newark
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Schedule of the Authority's Proportionate Share of the Net Pension Liability - PERS
and Notes to Required Supplementary Information
Years Ended December 31, 2021**

	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability (Local Group)	0.024903762%	0.02570365%	0.02712685%	0.02612939%	0.02370451%	0.23337380%	0.02474051%	0.02067612%
Authority's proportionate share of the net pension liability	\$ 2,950,224	\$ 4,191,594	\$ 4,921,851	\$ 5,144,746	\$ 5,518,032	\$ 6,911,864	\$ 5,559,748	\$ 3,871,136
Authority's covered-employee payroll	1,769,544	1,560,668	1,864,693	1,737,808	1,784,411	1,509,229	1,554,013	1,512,623
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	166.72%	268.58%	263.95%	296.05%	309.24%	429.51%	357.38%	255.92%
Plan fiduciary net position as a percentage of the total collective pension liability (local only)	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-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 as follows as of June 30:

	7.00%	6.28%	5.66%	5.00%	3.98%	4.90%	5.39%
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See Independent Auditor's Report.

**Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of the Authority's Contributions - PERS
Years Ended December 31, 2021**

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions								
Regular pension and non-contributory group insurance contribution	\$ 291,652	\$ 281,185	\$ 269,215	\$ 248,085	\$ 228,617	\$ 207,326	\$ 212,702	\$ 170,451
Chapter 19 P.L. 2009 Contribution	210	735	733	727	723	714	706	702
	<u>291,862</u>	<u>281,920</u>	<u>269,948</u>	<u>248,812</u>	<u>229,340</u>	<u>208,040</u>	<u>213,408</u>	<u>171,153</u>
Contributions in relation to the contractually required contribution	<u>(291,862)</u>	<u>(281,920)</u>	<u>(269,948)</u>	<u>(248,812)</u>	<u>(229,340)</u>	<u>(208,040)</u>	<u>(213,408)</u>	<u>(171,153)</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Percent of base wages	7.50%	7.50%	7.50%	7.34% - 7.50%	7.20% - 7.34%	7.06% - 7.20%	6.92% - 7.06%	6.78% - 6.92%
Authority's covered-employee payroll	\$ 1,769,544	\$ 1,560,668	\$ 1,864,693	\$ 1,737,808	\$ 1,784,411	\$ 1,609,229	\$ 1,554,013	\$ 1,512,623
Contributions as a percentage of the Authority's covered-employee payroll	16.49%	18.01%	14.25%	14.96%	12.31%	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
Notes to Required Supplementary Information
Years Ended December 31, 2021 and 2020**

1. SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATION OF THE 2021 CONTRIBUTION RATE

Valuation Date	June 1, 2020
Actuarial Cost Method	Projected Unit Credit Cost Method
Remaining Amortization Period	30-year closed period
Asset Valuation Method	The actuarial value of assets is adjusted to reflect actual contributions, benefit payments and administrative expenses, and an assumed rate of return on the previous year's assets and current year's cash flow at the prior year's actuarial valuation interest rate, with a further adjustment to reflect 20% of the difference between the resulting value and the actual market value of Plan assets.
Wage Growth	3.25%
Price Inflation	2.75%
Salary Increases	2% to 7%, varying by years of service and time period
Investment Rate of Return	7%
Mortality	<u>Pre-Retirement Mortality:</u> The Pub-2010 General Below-Median Income Employee mortality table [PubG-2010(B) Employee] as published by the Society of Actuaries with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For purposes of calculating projected cash flows used to determine the GASB discount rate, mortality improvement is based on SOA's Scale MP-2018. Upon direction from the DPB, for purposes of calculating the Total Pension Liability, mortality improvement is based on SOA's Scale MP-2021.

All pre-retirement deaths are assumed to be ordinary deaths.

Healthy Retirees and Beneficiaries (Healthy Annuitants): The Pub-2010 General Below-Median Income Healthy Retiree mortality table [PubG-2010(B) Healthy Retiree] as published by the Society of Actuaries with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For purposes of calculating projected cash flows used to determine the GASB discount rate, mortality improvement is based on SOA's Scale MP-2018. Upon direction from the DPB, for purposes of calculating the Total Pension Liability, mortality improvement is based on SOA's Scale MP-2021.

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Required Supplementary Information
Years Ended December 31, 2021 and 2020**

Mortality (Continued)

Disabled Retirees (Disabled Annuitants): The Pub-2010 Non-Safety Disabled Retiree mortality table [PubNS-2010.Disabled Retiree] as published by the Society of Actuaries with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For purposes of calculating projected cash flows used to determine the GASB discount rate, mortality improvement is based on SOA's Scale MP-2018. Upon direction from the DPB, for purposes of calculating the Total Pension Liability, mortality improvement is based on SOA's Scale MP-2021.

2. SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATION OF THE 2020 CONTRIBUTION RATE

Valuation Date	June 1, 2019
Actuarial Cost Method	Projected Unit Credit Cost Method
Remaining Amortization Period	30-year closed period
Asset Valuation Method	The actuarial value of assets is adjusted to reflect actual contributions, benefit payments and administrative expenses, and an assumed rate of return on the previous year's assets and current year's cash flow at the prior year's actuarial valuation interest rate, with a further adjustment to reflect 20% of the difference between the resulting value and the actual market value of Plan assets.
Wage Growth	3.25%
Price Inflation	2.75%
Salary Increases	2% to 7%, varying by years of service and time period
Investment Rate of Return	7%
Mortality	

Pre-Retirement Mortality: The Pub-2010 General Below-Median Income Employee mortality table [PubG-2010(B) Employee] as published by the Society of Actuaries with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For purposes of calculating projected cash flows used to determine the GASB discount rate, mortality improvement is based on SOA's Scale MP-2018. Upon direction from the DPB, for purposes of calculating the Total Pension Liability, mortality improvement is based on SOA's Scale MP-2020.

All pre-retirement deaths are assumed to be ordinary deaths.

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Required Supplementary Information
Years Ended December 31, 2021 and 2020**

Mortality (Continued)

Healthy Retirees and Beneficiaries (Healthy Annuitants): The Pub-2010 General Below-Median Income Healthy Retiree mortality table [PubG-2010(B) Healthy Retiree] as published by the Society of Actuaries with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For purposes of calculating projected cash flows used to determine the GASB discount rate, mortality improvement is based on SOA's Scale MP-2018. Upon direction from the DPB, for purposes of calculating the Total Pension Liability, mortality improvement is based on SOA's Scale MP-2020.

Disabled Retirees (Disabled Annuitants): The Pub-2010 Non-Safety Disabled Retiree mortality table [PubNS-2010 Disabled Retiree] as published by the Society of Actuaries with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For purposes of calculating projected cash flows used to determine the GASB discount rate, mortality improvement is based on SOA's Scale MP-2018. Upon direction from the DPB, for purposes of calculating the Total Pension Liability, mortality improvement is based on SOA's Scale MP-2020.



OTHER SUPPLEMENTARY INFORMATION

**Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of Operating Revenues and Expenditures - Budget to Actual
Year Ended December 31, 2021**

	<u>2021 Budget</u>	<u>2021 Actual</u>	<u>Favorable (Unfavorable)</u>
Operating revenue			
Ticket sharing	\$ 2,100,000	\$ 2,137,477	\$ 37,477
Meter collection	3,884,200	2,243,287	(1,640,913)
Event parking	-	2,188	2,188
Food truck permit program	-	5,400	5,400
MPG lease	36,500	57,532	21,032
City of Newark office rent	724,869	604,057	(120,812)
Prudential arena annual rent	300,000	-	(300,000)
Office rent	200,000	-	(200,000)
Green street garage user fees	<u>666,304</u>	<u>212,276</u>	<u>(454,028)</u>
Non operating revenue			
Interest income	9,000	3,026	(5,974)
Grant income	<u>-</u>	<u>500,000</u>	<u>500,000</u>
 Total revenues	 <u>\$ 7,920,873</u>	 <u>\$ 5,765,243</u>	 <u>\$ (2,155,630)</u>
 Administrative and cost of providing services			
Salaries	\$ 2,192,330	\$ 2,384,540	\$ (192,210)
Fringe benefits and payroll taxes	1,214,146	1,104,611	109,535
Accounting fees and audit examination	70,000	67,000	3,000
Legal fees	25,000	30,945	(5,945)
EE screening	1,500	575	925
Professional fees	-	35,714	(35,714)
Office expenses	10,500	41,192	(30,692)
Bank fees and visa debit	35,000	37,617	(2,617)
Telephone and wireless	21,000	50,477	(29,477)
Travel, conference, and training	15,500	56,417	(40,917)
Payroll expense	15,000	16,279	(1,279)
Luncheon meeting	2,500	6,324	(3,824)
Advertising	4,000	11,924	(7,924)
Uniforms	12,500	18,610	(6,110)
IT support	31,200	68,491	(37,291)

See Independent Auditor's Report

**Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of Operating Revenues and Expenditures - Budget to Actual
Year Ended December 31, 2021**

	<u>2021 Budget</u>	<u>2021 Actual</u>	<u>Favorable (Unfavorable)</u>
Insurance	320,000	121,240	198,760
Postage	650	762	(112)
Rent	224,600	38,718	185,882
Printing and badges	2,500	-	2,500
Parking permits	-	7,867	(7,867)
Parking studies	69,800	63,954	5,846
Office and officers communications	27,000	-	27,000
Eticket	63,500	96,358	(32,858)
ER Annual PERS Liability	-	291,607	(291,607)
MPG Net Profits/City	51,093	4,008	47,085
NPA Fleet Fuel/Maintenance	45,000	77,210	(32,210)
Meter Maintenance/Supplies	31,000	45,072	(14,072)
Armored service	20,000	15,123	4,877
Computer Upgrade & Hardware	7,000	-	7,000
Website Hosting	3,000	4,175	(1,175)
Utilities	-	14,765	(14,765)
Green street mixed use facility	294,241	-	294,241
Total administrative and general	<u>4,809,560</u>	<u>4,711,575</u>	<u>97,985</u>
Non-operating expense			
Bond principal payments	759,462	40,579	718,883
Interest expense	<u>1,366,607</u>	<u>1,602,912</u>	<u>(236,305)</u>
Total non-operating expense	<u>2,126,069</u>	<u>1,643,491</u>	<u>482,578</u>
Total costs funded by operating revenues	6,935,629	6,355,066	580,563
Budgetary revenues over (under) expenses	<u>\$ 985,244</u>	<u>\$ (589,823)</u>	<u>\$ (1,575,067)</u>

See Independent Auditor's Report

**Parking Authority of the City of Newark
 Essex County, New Jersey
 Roster of Officials
 Year Ended December 31, 2021**

Board of Commissioners

Raquel Cagley
 Andre Hollis
 Niathan Allen
 Tarsha Prindle
 Marquis Lewis
 James Parrillo
 Roy Hargrove, Jr.

Position

Chairperson
 Vice Chairperson
 Treasurer
 Secretary
 Commissioner
 Commissioner
 Commissioner

Other Officials

Anthony C. Mack, Esq.
 C. Lawrence Crump, Esq.
 Gabriela Santos

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

Form of Government

Authority

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

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 AUDITOR'S 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 *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of Parking Authority of the City of Newark (the "Authority"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads 'Withum Smith + Brown, PC'.

June 27, 2023

**Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of Findings and Recommendations
Years Ended December 31, 2021 and 2020**

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, and State of New Jersey.

Material Weaknesses

None to report.

**Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of Prior Year Findings
Years Ended December 31, 2021 and 2020**

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*.

Material Weaknesses

Finding 2020-001

Condition: The Authority did not properly close the December 31, 2020 financial statements in a timely manner in accordance with U.S. GAAP. This resulted in the need to record post-closing entries and adjusting journal entries throughout the auditor review process, including a material adjustment to Construction in Progress and Accounts Payable. In addition, restatement of net position was required to correct a misstatement in the prior year financial statements.

Current Status: No similar instances noted in the current year.