



**NEWARK PARKING AUTHORITY  
Financial Statements and  
Required Supplementary Information  
December 31, 2020 and 2019  
With Independent Auditor's Reports**

**Parking Authority of the City of Newark  
Essex County, New Jersey  
December 31, 2020 and 2019**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Parking Authority of the City of Newark (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the years ended December 31, 2020 and 2019. Please read this analysis in conjunction with the Authority's financial statements which follow this section.

### Overview of the Financial Statements

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

### Basic Financial Statements

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

**Newark Parking Authority**  
**Management's Discussion and Analysis**

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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>2020</u>	<u>2019</u> <u>(Restated)</u>
<b>Assets and Deferred Outflows of Resources</b>		
Unrestricted	\$ 2,075,856	\$ 3,539,648
Restricted	1,395,802	19,396,521
Capital assets, net	41,210,821	21,846,070
Deferred outflows of resources:		
Pension related	798,223	1,323,841
Fair value of hedging derivatives	<u>5,734,327</u>	<u>3,067,646</u>
Total assets and deferred outflows of resources	<u>\$ 51,215,029</u>	<u>\$ 49,173,726</u>
<b>Liabilities and Deferred Inflows of Resources</b>		
Current liabilities	\$ 3,054,294	\$ 1,050,888
Long-term liabilities	48,138,806	45,474,313
Deferred inflows of resources:		
Pension related	<u>2,090,976</u>	<u>1,886,349</u>
Total liabilities and deferred inflows of resources	<u>53,284,076</u>	<u>48,411,550</u>
<b>Net Position (Deficit)</b>		
Net investment in capital assets	2,960,369	3,576,964
Restricted	1,400,716	19,401,435
Unrestricted	<u>(6,430,132)</u>	<u>(22,216,223)</u>
Total net position (deficit)	<u>(2,069,047)</u>	<u>762,176</u>
 Total liabilities, deferred inflows of resources and net position (deficit)	 <u>\$ 51,215,029</u>	 <u>\$ 49,173,726</u>

**Current Assets**

Unrestricted cash was \$1,815,680 at December 31, 2020 representing a net decrease of \$1,059,166 as compared to the December 31, 2019 balance. The decrease is related to a decrease in operating revenue: ticket sharing, meter collection and parking in 2020 due to the COVID-19 pandemic. Restricted cash had balance of \$1,395,802 as of December 31, 2020, representing a decrease of \$18,000,719 as compared to December 31, 2019. This decrease is attributed mainly to the transfer of funds to unrestricted cash in order to finance ongoing construction.

Accounts receivable decreased by \$365,841 from 2020 compared to 2019. The changes are predominately due to the decrease in revenue received from the City of Newark. Prepaid expenses decreased \$38,785 from 2020 compared to 2019. This decrease is primarily due to the Authority prepaying a smaller portion of its insurance premiums in 2020.

## Newark Parking Authority Management's Discussion and Analysis

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### Non-current Assets

Non-current assets increased in 2020 by \$19,555,254 compared to 2019, which was due to an increase to capital assets construction in progress, mainly for the Green Street Mixed-Use Parking Facility project, less depreciation expense of \$190,503.

### Capital Assets

Capital Assets activities for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019 (Restated)</u>
<i>Non-depreciable capital assets</i>		
Land	\$ 2,100,000	\$ 2,100,000
Construction in progress	<u>38,286,393</u>	<u>18,813,968</u>
Total non-depreciable capital assets	40,386,393	20,913,968
<i>Depreciable capital assets</i>		
Furniture and fixtures	72,670	72,670
Improvements	39,382	39,382
Meters	2,191,116	2,191,116
Computers	75,696	75,696
Vehicles	<u>414,997</u>	<u>332,168</u>
Total depreciable capital assets	2,793,861	2,711,032
Less: Accumulated depreciation and amortization	<u>1,969,433</u>	<u>1,778,930</u>
Total depreciable capital assets, net	<u>824,428</u>	<u>932,102</u>
Capital assets, net	<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 2020 by \$525,618 compared to 2019. The decrease resulted from overall decrease in pension liability from the State actuarial calculation. Deferred outflows of resources related to hedging derivatives increased in 2020 by \$2,666,681 compared to 2019 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 \$2,003,406. The increase is primarily due to 2020 significant increase in payables related to the construction of the Green Street Project Facility.

### Non-current Liabilities

Non-current liabilities will be paid beyond the next twelve (12) months after the balance sheet date. Non-current liabilities increased by \$2,664,493. The increase is primarily due to the increase in accrued interest and the change in the fair value of the Authority's interest rate swap liability, offset by a decrease in the Authority's proportionate share of the PERS net pension liability.

**Newark Parking Authority**  
**Management's Discussion and Analysis**

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**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 2020 by \$204,627 compared to 2019. 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 position (deficit) are as follows:

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

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

**Operating Revenues**

The Authority's operating revenues decreased by \$2,696,163. The decrease was primarily from a significant decline in ticket sharing revenue, and meter collections revenue due the COVID-19 pandemic.

**Operating Expenses**

Total operating expenses decreased by \$1,151,492 based on numbers above. This decrease was mainly from decrease of lease payments to the City of Newark and pension expense, net.

**Non-operating Revenues and Expenses**

Total non-operating revenue and expenses increased by \$264,895. The decrease was primarily from the decrease in investment income.

**Net Position (Deficit)**

Total assets and deferred outflows or resources of the Authority for the year ended December 31, 2020, were approximately \$51.2 million, while total liabilities and deferred inflows of resources were approximately \$53.3 million, resulting in liabilities and deferred inflows of resources exceeding assets and deferred outflows of resources by approximately \$2.1 million.

**Newark Parking Authority**  
**Management's Discussion and Analysis**

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**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 2020 combined budget to actual comparison:

**2020 BUDGET VS. ACTUAL**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Operating revenues	\$ 6,114,745	\$ 3,267,435	\$ (2,847,310)
Nonoperating revenues	<u>8,400</u>	<u>63,820</u>	<u>55,420</u>
Total revenues	<u>6,123,145</u>	<u>3,331,255</u>	<u>(2,791,890)</u>
<b>Operating appropriations</b>			
Personnel and other	2,462,548	2,085,739	376,809
Fringe benefits	1,236,897	1,055,898	180,999
Administration and general	<u>2,106,280</u>	<u>1,523,169</u>	<u>583,111</u>
Total operating appropriations	<u>5,805,725</u>	<u>4,664,806</u>	<u>1,140,919</u>
<b>Non-operating appropriations</b>			
Bond principal payment	142,500	38,311	104,189
Bond interest payment	<u>7,125</u>	<u>1,497,684</u>	<u>(1,490,559)</u>
Total non-operating appropriations	<u>149,625</u>	<u>1,535,995</u>	<u>(1,386,370)</u>
Total operating and non-operating appropriations	<u>5,955,350</u>	<u>6,200,801</u>	<u>(245,451)</u>
Excess - budgetary basis	<u>\$ 167,795</u>	<u>\$ (2,869,546)</u>	<u>\$ (3,037,341)</u>

**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.

## **Newark Parking Authority Management's Discussion and Analysis**

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### **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

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Parking Authority of the City of Newark (the "Authority"), which comprise the statement of net position (deficit) as of December 31, 2020, and the related statements of revenues, expenses, and changes in net position (deficit) and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 as prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

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

### **Emphasis of Matter**

As discussed in Note 13 in the notes to financial statements, the beginning net position for 2020 has been restated for the correction of an error related to the Authority's capital assets. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### **Predecessor Auditor**

The financial statements of the Authority as of and for the year ended December 31, 2019, before the restatement described in Note 13, were audited by another auditor whose report dated January 10, 2022 expressed an unmodified opinion on those financial statements.

As part of our audit of the December 31, 2020 financial statements, we also audited the adjustment described in Note 13 that was applied to restate the 2019 financial statements. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2019 financial statements of the Authority other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2019 financial statements as a whole.

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

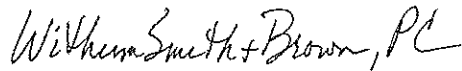
## Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of operating revenues and expenditures - budget and actual is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating revenues and expenditures - budget and actual is fairly stated in all material respects in relation to the financial statements as a whole.

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

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2022 on our consideration of the Parking Authority of the City of Newark's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Parking Authority of the City of Newark's internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



September 19, 2022

**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 *Governmental Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department Community Affairs, State of New Jersey, the financial statements of the Parking Authority of the City of Newark (the "Authority") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 19, 2022.

**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 auditing 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist which have not been identified. However, as described in the accompanying schedule of findings and recommendations as item 2020-001, we did identify a certain deficiency in internal control that we consider to be a material weakness.

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.

## 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## The Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. The Authority's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

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

*William Smith + Brown, PC*

September 19, 2022

**Parking Authority of the City of Newark  
Essex County, New Jersey  
Statements of Net Position (Deficit)  
December 31, 2020 and 2019**

	<u>2020</u>	<u>2019 (Restated)</u>
<b>Assets and Deferred Outflows of Resources</b>		
Current assets		
Cash and cash equivalents	\$ 1,815,680	\$ 2,874,846
Restricted cash	1,395,802	19,396,521
Investments in certificate of deposit	40,548	40,548
Accounts receivable	185,829	551,670
Prepaid expenses	<u>33,799</u>	<u>72,584</u>
Total current assets	3,471,658	22,936,169
Property and equipment, net	<u>41,210,821</u>	<u>21,846,070</u>
Total assets	<u>44,682,479</u>	<u>44,782,239</u>
Deferred outflows of resources		
Pension related	798,223	1,323,841
Fair value of hedging derivatives	<u>5,734,327</u>	<u>3,067,646</u>
Total deferred outflows of resources	<u>6,532,550</u>	<u>4,391,487</u>
Total assets and deferred outflows of resources	<u>\$ 51,215,029</u>	<u>\$ 49,173,726</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
Current liabilities		
Accounts payable	\$ 2,618,010	\$ 414,185
Intergovernmental accounts payable	-	141,093
Accrued expenses	122,129	119,684
Deferred revenue	-	15,029
Accrued interest, current	131,076	180,087
Current maturities of long-term debt	<u>183,079</u>	<u>180,810</u>
Total current liabilities	<u>3,054,294</u>	<u>1,050,888</u>
Non-current liabilities		
Accrued interest - less current portion	768,649	-
Bonds and notes payable- less current portion	37,444,236	37,484,816
Net pension liability	4,191,594	4,921,851
Derivative instrument - interest rate swap	<u>5,734,327</u>	<u>3,067,646</u>
Total non-current liabilities	<u>48,138,806</u>	<u>45,474,313</u>
Total liabilities	<u>51,193,100</u>	<u>46,525,201</u>
Deferred inflows of resources		
Pension related	<u>2,090,976</u>	<u>1,886,349</u>
Net position (Deficit)		
Net investment in capital assets	2,960,369	3,576,964
Restricted for:		
Parking asset acquisition and upgrade	4,914	4,914
Construction	1,395,802	19,396,521
Unrestricted	<u>(6,430,132)</u>	<u>(22,216,223)</u>
Total net position (deficit)	<u>(2,069,047)</u>	<u>762,176</u>
Total liabilities, deferred inflows of resources and net position (deficit)	<u>\$ 51,215,029</u>	<u>\$ 49,173,726</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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Operating revenues</b>		
Ticket sharing	\$ 1,102,727	\$ 2,275,983
Meter collections	1,985,489	2,886,558
Event parking	58,125	212,144
MPG lease	102,468	556,478
Food truck permit program	3,600	14,850
Miscellaneous income	<u>15,026</u>	<u>17,585</u>
Total operating revenues	<u>3,267,435</u>	<u>5,963,598</u>
<b>Operating expenses</b>		
Salaries	2,085,739	2,367,835
Fringe benefits and payroll taxes	1,055,898	1,059,277
Pension expense, net	281,167	571,726
Professional fees	58,761	81,154
Lease payment - City of Newark	73,897	434,686
Rent	211,100	309,771
Administrative and general expenses	707,729	801,334
Depreciation and amortization	<u>190,503</u>	<u>193,231</u>
Total operating expenses	<u>4,664,794</u>	<u>5,819,014</u>
Operating income (loss)	<u>(1,397,359)</u>	<u>144,584</u>
<b>Non-operating revenue (expense)</b>		
Investment Income	57,145	432,915
Interest income	6,675	9,627
Gain on disposition of capital asset	-	7,125
Interest expense	<u>(1,497,684)</u>	<u>(1,618,636)</u>
Total non-operating revenue (expense)	<u>(1,433,864)</u>	<u>(1,168,969)</u>
<b>Changes in net position (deficit)</b>	<u>(2,831,223)</u>	<u>(1,024,385)</u>
<b>Net position (deficit)</b>		
Beginning of year	<u>762,176</u>	<u>1,786,561</u>
End of year	<u>\$ (2,069,047)</u>	<u>\$ 762,176</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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Operating activities</b>		
Cash received from ticket sharing	\$ 1,325,017	\$ 2,276,128
Cash received from meter collections	2,046,783	2,781,451
Cash received from event parking	58,125	212,144
Cash received from lease and other	188,322	576,005
Payments to employees	(2,079,501)	(2,360,408)
Payments for employee benefits and payroll taxes	(1,328,900)	(1,305,341)
Payments to suppliers	<u>(980,849)</u>	<u>(2,201,277)</u>
Net cash used in operating activities	<u>(771,003)</u>	<u>(21,297)</u>
<b>Investing activity</b>		
Interest and investment income received	<u>63,820</u>	<u>442,462</u>
<b>Capital and related financing activities</b>		
Purchases of capital assets	(17,536,345)	(16,991,180)
Proceeds from sale of capital assets	-	7,125
Principal paid on debt	(38,311)	(178,672)
Interest paid on debt	<u>(778,046)</u>	<u>(1,472,810)</u>
Net cash used in capital and related financing activities	<u>(18,352,702)</u>	<u>(18,635,537)</u>
Net change in cash and cash equivalents	(19,059,885)	(18,214,372)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>22,271,367</u>	<u>40,485,739</u>
End of year	<u>\$ 3,211,482</u>	<u>\$ 22,271,367</u>
<b>Cash and cash equivalents - statements of net position</b>		
Cash and cash equivalents	\$ 1,815,680	\$ 2,874,846
Restricted cash	<u>1,395,802</u>	<u>19,396,521</u>
Total cash and cash equivalents - statements of net position	<u>\$ 3,211,482</u>	<u>\$ 22,271,367</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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Operating activities</b>		
Operating income (loss)	\$ (1,397,359)	\$ 144,584
Adjustments to reconcile operating income (loss) to net cash used in operating activities		
Depreciation and amortization expenses	190,503	193,231
Change in		
Accounts receivable	365,841	(117,870)
Prepaid expenses	38,785	(8,475)
Accounts payable	184,916	(615,944)
Accrued expenses	2,445	25,833
Deferred revenue	(15,029)	-
Intergovernmental accounts payable	(141,093)	54,833
Net pension liability	(730,257)	(222,895)
Deferred outflows of resources related to pension	525,618	487,449
Deferred inflows of resources related to pension	<u>204,627</u>	<u>37,957</u>
Net cash used in operating activities	<u>\$ (771,003)</u>	<u>\$ (21,297)</u>
 <b>Noncash Capital and Related Financing Activities</b>		
Increase in fair value of hedging derivatives	<u>\$ 2,666,681</u>	<u>\$ 2,007,569</u>
 Construction in progress included in accounts payable	<u>\$ 2,018,909</u>	<u>\$ -</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, 2020 and 2019**

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**1. GENERAL**

**Authorizing Legislation**

The Parking Authority of the City of Newark, hereinafter called the "Authority," was created and established by virtue of an ordinance duly adopted by the City Council of the City of Newark entitled "An Ordinance Creating the Parking Authority of the City of Newark, Adopted by the Municipal Council August 3, 1955," adopted on April 4, 1956, creating the Parking Authority of the City of Newark (collectively, the "Creation Ordinance"), pursuant to the Parking Authority Law (N.J.S.A. 40p:11a-1 et seq.) of the State of New Jersey, as amended and supplemented (the "Act"). 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, 2020 and 2019 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 position (deficit), a statement of revenues, expenses, and changes in net position (deficit), and a statement of cash flows. It requires the classification of net position (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  
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December 31, 2020 and 2019**

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The classifications of net position (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  
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Notes to Financial Statements  
December 31, 2020 and 2019**

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**Operating Revenues and Revenue and Cost Recognition**

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

**Compensated Absences**

The Authority permits employees to accrue unused vacation and sick pay. Vacation pay may be taken as time off or paid upon retirement at an agreed upon rate. Vacation leave may be carried to the next succeeding calendar year only. Sick pay may only be taken as time off or paid upon retirement with no more than twenty four accumulated sick days at rate determined by the Board or designee. Accumulated compensated absences amounted to \$96,922 and \$90,653 for the years ended December 31, 2020 and 2019, respectively. Such amount is reflected on the statement of net position (deficit) in accrued expenses.

**Accounts Receivable**

Accounts receivable is primarily comprised of amounts due from the New Jersey Performing Arts Center Corporation ("NJPAC") for the basic rent, and from 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 necessary due to its past history of collecting all accounts from NJPAC and due to its past dealings with the City of Newark.

**Impairment of Capital Assets**

In accordance with the provisions of the pronouncement related to accounting and financial reporting for impairment of capital assets, the Authority assesses capital assets for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset have both significantly and unexpectedly declined. For the years ended December 31, 2020 and 2019, management has determined that there was no impairment of capital assets.

**Advertising**

The Authority expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2020 and 2019 approximated \$9,913 and \$10,175, respectively.

**Restricted Net Position**

Certain components of net position are restricted for specific uses as required by the Authority's bond resolutions. The purpose of each is indicated on the face of the statements of net position (deficit). The Authority's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Deferred Outflows/Inflows of Resources**

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflow of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The deferred outflows of resources related to hedging derivative instruments represent the cumulative change in its fair value.

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

**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.

**Accounting Pronouncements Adopted in the Current Year**

*Fiduciary Activities*

The Authority adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

The Authority analyzed various provision of the standard and determined that the standard had no impact. As a result, there were no changes in reporting fiduciary activities as of December 31, 2020.

*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*

The Authority adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The Authority analyzed various provision of the standard and determined that the standard is not applicable. As a result, there were no changes in disclosing information related to debt as of December 31, 2020.

*Majority Equity Interests. An Amendment of GASB Statements No. 14 and No. 61*

The Authority adopted GASB Statement No. 90, *Majority Equity Interests. An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Authority analyzed various provision of the standard and determined that the standards are not applicable.

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**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.

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.

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

On June 22, 2018, GASB issued 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 cost 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.

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 year. This statement is now effective for periods beginning after December 15, 2020. Earlier application is permitted.

The Authority is currently evaluating the effect that these pronouncements will have on its financial statements and related disclosures.

**Reclassification**

Certain line items in the December 31, 2019, financial statements have been reclassified to conform to the December 31, 2020, presentation. These reclassifications have no effect on the change in net position (deficit) previously reported.

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**3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Compliance with Finance Related Legal and Contractual Provisions**

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

**Legal Compliance - Budgets**

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

The accompanying 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 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.

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.

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

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

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

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

	2020		2019	
	Bank	Book	Bank	Book
Unrestricted cash	\$ 2,069,673	\$ 1,815,680	\$ 2,870,340	\$ 2,874,846
Restricted cash	1,395,802	1,395,802	19,396,521	19,396,521
Certificate of deposit	40,651	40,548	40,569	40,548
	<u>\$ 3,506,126</u>	<u>\$ 3,252,030</u>	<u>\$ 22,307,430</u>	<u>\$ 22,311,915</u>

Of the bank balance at December 31, 2020 and 2019, \$1,166,909 and \$1,254,936, 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.

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During the year, the Authority had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of 2020 and 2019, no such investments were held by the Authority.

As of December 31, 2020 and 2019, the Authority's investments consisted of:

	<u>2020</u>	<u>2019</u>
Certificate of deposit		
City National Bank	<u>\$ 40,548</u>	<u>\$ 40,548</u>

This certificate of deposit has a 12-month term with interest rate of 0.07% and matures in 2021.

*Fair Value Measurements*

The Authority uses a fair value hierarchy established by GAAP that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are:

*Level 1* - Valuation is based upon quoted prices for identical assets

*Level 2* - Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and inputs other than quoted prices that are observable instruments in the market.

*Level 3* - Valuation is generated from model-based techniques that use significant unobservable inputs.

The Authority's investments, stated at fair value, as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>	<u>Hierarchy</u>
Certificate of deposit	<u>\$ 40,548</u>	<u>\$ 40,548</u>	Level 2

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**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, 2020 and 2019 was as follows:

	<u>Balance 1/1/2020</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance 12/31/2020</u>
Capital assets not being depreciated				
Land	\$ 2,100,000	\$ -	\$ -	\$ 2,100,000
Construction in progress	<u>18,813,968</u>	<u>19,472,425</u>	<u>-</u>	<u>38,286,393</u>
Total	<u>20,913,968</u>	<u>19,472,425</u>	<u>-</u>	<u>40,386,393</u>
Capital assets being depreciated				
Furniture and fixtures	72,670	-	-	72,670
Improvements	39,382	-	-	39,382
Meters	2,191,116	-	-	2,191,116
Computers	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
Computers	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 capital assets being depreciated, 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>

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	Balance 1/1/2019 (Restated)	Additions	Retirements/ Reclassifications	Balance 12/31/2019 (Restated)
<b>Non-depreciable capital assets</b>				
Land	\$ 2,100,000	\$ -	\$ -	\$ 2,100,000
Construction In progress	1,822,789	16,991,179	-	18,813,968
Total	<u>3,922,789</u>	<u>16,991,179</u>	<u>-</u>	<u>20,913,968</u>
<b>Depreciable capital assets</b>				
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	348,813	-	(16,645)	332,168
Total	<u>2,727,677</u>	<u>-</u>	<u>(16,645)</u>	<u>2,711,032</u>
<b>Less: Accumulated depreciation</b>				
Furniture and fixtures	67,733	4,245	-	71,978
Improvements	38,200	788	-	38,988
Meters	1,137,028	170,460	-	1,307,488
Office equipment	75,696	-	-	75,696
Vehicles	283,687	17,738	(16,645)	284,780
Total	<u>1,602,344</u>	<u>193,231</u>	<u>(16,645)</u>	<u>1,778,930</u>
Total depreciable capital assets, net of accumulated depreciation	<u>1,125,333</u>	<u>(193,231)</u>	<u>-</u>	<u>932,102</u>
Capital assets, net	<u>\$ 5,048,122</u>	<u>\$ 16,797,948</u>	<u>\$ -</u>	<u>\$ 21,846,070</u>

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 was \$190,503 and \$193,231, 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, 2020 and 2019, the amount due to the City was \$-0- and \$141,183, respectively, and total lease expense to the City for 2020 and 2019 was \$66,897 and \$389,535, respectively.

The Authority subleased the Military Park Garage to New Jersey Performing Arts Center Corporation ("NJ PAC") for a term of 50 years. Under the terms of the lease, NJ PAC operates and manages the facility. NJ PAC is required to pay the Authority each month the basic rent which equals the City's debt service payments on the Redevelopment Bonds which is approximately \$36,000 per month. After July 2016, the NJ PAC was not required to pay the basic rent as the debt was retired by a new financing secured by NJ PAC described in the next paragraph. NJ PAC was also required to pay to the Authority 45% of the net profits as defined in the lease.

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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 \$102,468 and \$556,479 for the years ended December 31, 2020 and 2019, respectively. Of the net profits paid to the Authority, 70% was remitted to the City of Newark, which amounted to \$66,897 and \$389,535 for the years ended December 31, 2020 and 2019, respectively.

**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, 2020. 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, 2020 and 2019, amounted to \$7,125 and \$14,250, 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, 2020 and 2019, the variable interest rate payable was 4.0600% and 3.0224%, respectively.

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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, 2020 and 2019 and received a waiver for 2020.

**Swap Payments and Associated Debt**

Net swap payments and related debt service requirements subsequent to December 31, 2020, assuming current interest rates remain the same for the term of the agreement, are as follows:

<u>Year Ending December 31</u>	<u>Principal Maturities</u>
2021	\$ -
2022	701,770
2023	731,208
2024	761,882
2025	789,892
2026-2030	4,493,271
2031-2035	5,518,218
2036-2040	6,777,396
2041-2045	8,322,823
2046-2050	<u>9,290,040</u>
	<u>\$ 37,386,500</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 \$37.6 million and \$38 million at December 31, 2020 and 2019, respectively.

**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, 2020:

*Debt Service Requirements*

2021	\$ 44,762
2022	44,762
2023	<u>7,460</u>
Total minimum lease payments	96,984
Less: Amount representing interest	<u>21,065</u>
Present value of net minimum lease payments	<u>\$ 75,919</u>

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The tables below summarize the total additions and total reductions in long-term liabilities during fiscal years 2020 and 2019.

	<u>Balance 1/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2020</u>	<u>Current Portion</u>
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	<u>\$ 37,665,626</u>	<u>\$ -</u>	<u>\$ (38,311)</u>	<u>\$ 37,627,315</u>	<u>\$ 183,079</u>

	<u>Balance 1/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2019</u>	<u>Current Portion</u>
Parking meter bond	\$ 285,000	\$ -	\$ (142,500)	\$ 142,500	\$ 142,500
Series 2018 bond	37,386,500	-	-	37,386,500	-
Capital lease	<u>172,798</u>	<u>-</u>	<u>(36,172)</u>	<u>136,626</u>	<u>38,310</u>
Total	<u>\$ 37,844,298</u>	<u>\$ -</u>	<u>\$ (178,672)</u>	<u>\$ 37,665,626</u>	<u>\$ 180,810</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, 2020.

**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, 2020 and 2019, and the changes in fair value of the derivative instrument for the years then ended as reported in the 2020 and 2019 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	2020 Fair Value
2018 Parking Revenue Bond	December 21, 2018	June 20, 2049	0.00%	81.5% of 1-month LIBOR plus 163 basis points	\$0	TD Bank	Aa1/AA-	\$ 37,386,600
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, 2048	0.00%	81.5% of 1-month LIBOR plus 163 basis points	\$0	TD Bank	Aa1/AA-	\$ 37,386,600

The terms and other information respective of the Authority's hedging derivative instrument outstanding at December 31, 2020, are detailed as follows:

	December 31, 2019	Changes in Fair Value		at December 31, 2020		
		Classification	Amount	Classification	Amount	Notional
Cash flow hedges						
Pay-fixed interest rate swap	\$ (3,067,646)	Deferred Outflow of Resources	\$ (2,666,681)	Non-current liabilities	\$ (5,734,327)	\$ -
	December 31, 2018	Changes in Fair Value		at December 31, 2019		
		Classification	Amount	Classification	Amount	Notional
Cash flow hedges						
Pay-fixed interest rate swap	\$ (1,060,077)	Deferred Outflow of Resources	\$ (2,007,569)	Non-current liabilities	\$ (3,067,646)	\$ -

\*Variable-rate was 4.0600% and 3.0224% at December 31, 2020 and 2019 respectively.

**Credit Risk**

At December 31, 2020 and 2019, 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 become 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 Comprehensive Annual Financial Report ("CAFR"), which can be found at <https://www.nj.gov/treasury/pensions/financial-reports.shtml>.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

<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.

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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 State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The 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, 2020 and 2019, the PERS received employer and employee contributions as follows:

	<u>2020</u>	<u>2019</u>
Employer contributions	\$ 281,185	\$ 265,700
Employee contributions	\$ 117,050	\$ 139,750
Salary basis for contributions	\$ 1,560,668	\$ 1,864,693
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, 2020 and 2019, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and 2019. The total pension liability for the June 30, 2020 and 2019 measurement date was determined by an actuarial valuation as of July 1, 2019 and 2018, 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, 2020 and 2019, respectively, as the measurement date.

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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, 2020 and 2019. At December 31, the Authority's proportionate share and net pension liability was as follows:

	<u>2020</u>	<u>2019</u>
PERS net pension liability (Local Group)	\$ 16,435,616,426	\$ 18,143,832,135
Authority net pension liability	\$ 4,191,594	\$ 4,921,851
Authority's proportion	0.0257036530%	0.0271268548%

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

	<u>2020</u>	<u>2019</u>
Proportionate share of allocable plan pension expense	\$ (12)	\$ 302,511
Net amortization of deferral amounts from changes in proportion	<u>281,179</u>	<u>269,215</u>
Total employer pension expense excluding that attributable to employer-paid member contributions	<u>\$ 281,167</u>	<u>\$ 571,726</u>

At December 31, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS as follows:

	<u>2020</u>	
	<u>Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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 the Authority contributions and proportionate share of contributions	442,649	321,093
Authority contributions subsequent to the measurement date	-	-
	<u>\$ 798,223</u>	<u>\$ 2,090,976</u>

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	2019	
	Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 491,465	\$ 1,708,359
Difference between expected and actual experience	88,341	21,743
Net difference between projected and actual earnings on pension plan investments	-	77,693
Changes in proportion and differences between contributions and proportionate share of contributions	744,035	78,554
Authority contributions subsequent to the measurement date	-	-
	<u>\$ 1,323,841</u>	<u>\$ 1,886,349</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:

	PERS Deferred Outflows/Inflows Net (Local Group)		Authority Share
2021	\$ (2,046,278,639)	\$	(480,763)
2022	(1,865,583,957)		(438,309)
2023	(1,066,133,576)		(250,483)
2024	(431,126,457)		(101,291)
2025	(93,243,501)		(21,907)
	<u>\$ (5,502,366,130)</u>	<u>\$</u>	<u>(1,292,753)</u>

**Actuarial Assumptions**

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

	2020	2019
Inflation rate	2.75%	2.75%
Salary increases through 2026	2.00%-6.00%	2.00%-6.00%
Thereafter	3.00%-7.00%	3.00%-7.00%
Investment rate of return	7.00%	7.00%

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For June 30, 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-2020.

For June 30, 2019, 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-2019.

The actuarial assumptions used in the July 1, 2019 and 2018 valuation were based on the results of an actuarial experience study for the period 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, 2020 and 2019 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.

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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%

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 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	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Private equity	12.00%	10.85%
Investment grade credit	10.00%	4.25%
Real estate	7.50%	8.33%
Emerging markets equity	6.50%	11.37%
Private credit	6.00%	7.92%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Risk mitigation strategies	3.00%	4.67%
Real assets	2.50%	9.31%
High yield	2.00%	5.37%

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**Discount Rate**

The discount rate used to measure the total pension liability was 5.00% and 3.98% as of June 30, 2020 and 2019, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% and 2.85% as of June 30, 2020 and 2019, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be 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.

For the year ended June 30, 2019, 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 70% 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 and projected future benefit payments of current plan members through 2057 for the years ended June 30, 2020 and 2019, respectively. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments and projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability measured as of December 31, 2020 and 2019, 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:

	<b>2020</b>		
	<b>At Current</b>		
	<b>At 1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>At 1% Increase (8.00%)</b>
PERS as a whole (local only)	<u>\$ 20,689,699,233</u>	<u>\$ 16,435,616,426</u>	<u>\$ 12,825,910,903</u>
Authority's proportionate share of the net pension liability	<u>\$ 5,276,518</u>	<u>\$ 4,191,594</u>	<u>\$ 3,271,007</u>
	<b>2019</b>		
	<b>At Current</b>		
	<b>At 1% Decrease (5.28%)</b>	<b>Discount Rate (6.28%)</b>	<b>At 1% Increase (7.28%)</b>
PERS as a whole (local only)	<u>\$ 22,918,608,260</u>	<u>\$ 18,143,832,135</u>	<u>\$ 14,120,406,763</u>
Authority's proportionate share of the net pension liability	<u>\$ 6,217,098</u>	<u>\$ 4,921,851</u>	<u>\$ 3,830,422</u>

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**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](http://www.state.nj.us/treasury/pensions/financial-reports.shtml).

**10. COMMITMENTS**

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, 2020 and 2019 amounted to \$185,028 and \$198,728, respectively.

**11. CONTINGENT LIABILITIES**

**Litigation**

In the normal course of business, the Authority is involved in certain legal matters. The Authority is currently involved a litigation matter which pertains to a contract dispute. The Authority is contesting this matter. It is not expected that this matter will be covered by insurance. However, no liability has been recorded, as the outcome of this matter remains uncertain. The Plaintiff has presented a settlement demand of \$300,000, which has been rejected. Trial has been adjourned and the Authority is awaiting a new date.

**Construction**

As of December 31, 2020 the Authority had entered into construction contracts totaling \$33,060,000, of which \$2,019,871 was still outstanding.

**12. RECONCILIATION OF BUDGETARY BASIS AND GAAP**

The accompanying schedule of operating revenues and expenditures compared to budget for the year ended December 31, 2020 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 over expenditures - budgetary basis and changes in net position (deficit) as presented in the statement of revenues, expenses, and changes in net position (deficit) for the year ended December 31, 2020 is presented below:

Excess of revenues over (under) expenditures - budgetary basis	\$ (2,869,546)
Adjustments to budgetary basis	
Bond principal payment	38,311
Pension expense - net (GASB 68 adjustment)	<u>12</u>
Changes in net position (deficit)	<u>\$ (2,831,223)</u>

**13. RESTATEMENT**

The Authority restated its December 31, 2019 capital asset and net position balances to correct an error made in the prior year resulting from adjustments which were not recognized in the December 31, 2019 statement of net position. The net adjustment to the opening balance of capital asset and net position was a decrease of \$637,035 as of December 31, 2019.

**Parking Authority of the City of Newark  
Essex County, New Jersey  
Notes to Financial Statements  
December 31, 2020 and 2019**

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**14. RISK AND UNCERTAINTIES**

The current outbreak of COVID-19 is significantly impacting businesses across the world. While the duration of business interruption from this outbreak and related financial impact cannot be reasonably estimated at this time, financial results, including investment returns, may be adversely affected in 2021. The extent to which COVID-19 impacts operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others.

**15. SUBSEQUENT EVENTS**

The Authority has evaluated subsequent events occurring after the statement of net position (deficit) date through the September 19, 2022, the date the financial statements were available to be issued. Based on this evaluation, the Authority has determined that, other than those disclosed below and in Note 7, no additional subsequent events have occurred which require adjustment to or disclosure in the financial statements.

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

The Term Loan mature on January 28, 2021 and is subject to the Debt Service Coverage Ratio.



**REQUIRED SUPPLEMENTARY INFORMATION**

**Parking Authority of the City of Newark  
Essex County, New Jersey  
Schedule of the Authority's Proportionate Share of the Net Pension Liability - PERS  
and Notes to Required Supplementary Information  
Years Ended December 31, 2020**

	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability (Local Group)	0.02570365%	0.02712685%	0.02612939%	0.02370451%	0.23337380%	0.02474051%	0.02067612%
Authority's proportionate share of the net pension liability	\$ 4,191,594	\$ 4,921,851	\$ 5,144,746	\$ 5,518,032	\$ 6,911,864	\$ 5,553,748	\$ 3,871,136
Authority's covered-employee payroll	\$ 1,560,668	\$ 1,864,693	\$ 1,737,808	\$ 1,784,411	\$ 1,609,229	\$ 1,554,013	\$ 1,512,623
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	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)	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, 2020**

	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions							
Regular pension and non-contributory group insurance contribution	\$ 281,179	\$ 269,215	\$ 248,085	\$ 228,617	\$ 207,326	\$ 212,702	\$ 170,451
Chapter 19 P.L. 2009 Contribution	735	733	727	723	714	706	702
	281,914	269,948	248,812	229,340	208,040	213,408	171,153
Contributions in relation to the contractually required contribution	(281,914)	(269,948)	(248,812)	(229,340)	(208,040)	(213,408)	(171,153)
Contribution deficiency (excess)	-	-	-	-	-	-	-
Percent of base wages	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	\$ 1,560,668	\$ 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	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.



**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, 2020**

	<u>2020 Budget</u>	<u>2020 Actual</u>	<u>Favorable (Unfavorable)</u>
<b>Operating revenue</b>			
Ticket sharing	\$ -	\$ 1,102,727	\$ 1,102,727
Meter collections	2,985,000	1,985,489	(999,511)
Residential parking permit	288,000	-	(288,000)
Event parking	-	58,125	58,125
Food truck permit program	-	3,600	3,600
Miscellaneous income	2,400,000	15,026	(2,384,974)
MPG lease	441,745	102,468	(339,277)
<b>Non operating revenue</b>			
Interest income	8,400	63,820	55,420
<b>Total revenues</b>	<u>\$ 6,123,145</u>	<u>\$ 3,331,255</u>	<u>\$ (2,791,890)</u>
<b>Administrative and cost of providing services</b>			
Salaries	\$ 2,484,298	\$ 2,085,739	\$ 398,559
Fringe benefits and payroll taxes	1,236,897	1,055,898	180,999
Accounting fees and audit examination	70,000	40,000	30,000
Legal fees	50,000	18,761	31,239
EE screening	2,500	1,340	1,160
Parking consultant	65,000	-	65,000
Office expenses	20,000	51,841	(31,841)
Bank fees and visa debit	40,000	42,792	(2,792)
Telephone and wireless	21,240	54,584	(33,344)
Depreciation expense	225,000	190,503	34,497
NPA security and camera upgrade	6,300	-	6,300
Travel, conference, and training	33,500	8,070	25,430
Payroll expense	15,000	12,099	2,901
Luncheon meeting	8,500	1,011	7,489
Advertising	2,000	9,913	(7,913)
Uniforms	12,500	7,171	5,329
Equipment maintenance and meter repair	-	34,967	(34,967)
IT support	24,000	74,983	(50,983)
Insurance	96,000	168,210	(72,210)
Postage	650	876	(226)
Rent	64,788	211,100	(146,312)
Parking tax	57,900	15,091	42,809
Printing and badges	6,700	-	6,700
Parking permits	-	32,235	(32,235)
Parking studies	68,400	69,882	(1,482)
Office and officers communications	29,000	-	29,000

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, 2020**

	<u>2020 Budget</u>	<u>2020 Actual</u>	<u>Favorable (Unfavorable)</u>
Eticket	\$ 90,500	\$ 37,035	\$ 53,465
ER Annual PERS Liability	290,000	281,179	8,821
MPG Net Profits/City	309,222	73,897	235,325
General Liability/WC	112,000	-	112,000
Workers Comp.	112,000	-	112,000
NPA Fleet Fuel/Maintenance	78,000	39,809	38,191
Meter Maintenance/Supplies	36,000	28,836	7,164
YMCA/Health Membership	1,080	-	1,080
GPS Security	11,952	-	11,952
Rent-Operation	65,098	-	65,098
Armored Service	42,000	14,145	27,855
Computer Upgrade & Hardware	14,700	-	14,700
Website Hosting	3,000	2,755	245
Utilities	-	84	(84)
Total administrative and general	<u>5,805,725</u>	<u>4,664,806</u>	<u>1,140,919</u>
<b>Non-operating expense</b>			
Bond principal payments	\$ 142,500	\$ 38,311	\$ 104,189
Interest expense	<u>7,125</u>	<u>1,497,684</u>	<u>(1,490,559)</u>
Total non-operating expense	<u>149,625</u>	<u>1,535,995</u>	<u>(1,386,370)</u>
 Total costs funded by operating revenues	 5,955,350	 6,200,801	 (245,451)
 Budgetary revenues over (under) expenses	 <u>\$ 167,795</u>	 <u>\$ (2,869,546)</u>	 <u>\$ (3,037,341)</u>

See Independent Auditor's Report

**Parking Authority of the City of Newark  
 Essex County, New Jersey  
 Roster of Officials  
 Year Ended December 31, 2020**

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**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

**Parking Authority of the City of Newark  
Essex County, New Jersey  
Schedule of Findings and Recommendations  
Years Ended December 31, 2020 and 2019**

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**Schedule of Financial Statement Findings**

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

**Material Weaknesses**

**Finding 2020-001 - Financial Reporting**

**Criteria:** Government Auditing Standards require that financial statements be prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("U.S. GAAP"). These principles require financial statements be prepared on the accrual basis of accounting, which is U.S. GAAP compliant; revenues and expenses are recorded and recognized in the period in which they occur.

**Condition and Context:** 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.

**Cause:** Due to limited resources to implement controls, certain financial statement preparation procedures were overlooked. There is currently a lack of formal structure and procedures regarding the financial statement close process, including an effective review and approval of the financial statements in accordance with U.S. GAAP.

**Recommendation:** The Authority should evaluate its internal controls over financial reporting and implement stronger processes and controls to ensure a timely and efficient close process.

**Management's Response:** Management concurs with the finding; regarding the restatement, management feels the error was not the fault of the Authority. An adjustment was recorded during the 2018 audit to correctly present the capital asset balance as of December 31, 2018. The Authority's December 31, 2019 financial statements provided to the previous auditors reflected this adjustment but this correction was reversed by them during the 2019 audit. This was brought to the attention of the previous auditors during the numerous exit conferences held during December 2021; however, the final version of the audited financial statements did not incorporate this adjustment. Since the entire audit process took over six months to complete and the financial statements were still not correct, management decided to accept the audit, hire a new auditing firm, and have the December 2020 audit reflect any changes to the prior year. Regarding the material adjustment to construction in progress and accounts payable, the Authority's normal close procedure is to review the first three months of the subsequent year for any unrecorded liabilities. Several pay applications related to on-going construction were received beyond three months after the end of the fiscal year and therefore excluded from the year-end accrual.

**Planned Implementation of Corrective Action:** Management will now review the subsequent year expenditures up to the start of the audit to ensure all expenditures are recorded to the correct accounting period.

**Person Responsible for Corrective Action:** Gabriela Santos, Manager of Fiscal Operations & Control; Michael McGuire, Fee Accountant

**Parking Authority of the City of Newark  
Essex County, New Jersey  
Schedule of Prior Year Findings  
Years Ended December 31, 2020 and 2019**

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**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 #2019-001

Condition: Deficiencies were identified involving internal control over financial reporting and its operation.

Status: Repeated as Finding #2020-001.