



NEWARK PARKING AUTHORITY
Financial Statements and
Required Supplementary Information
December 31, 2022 and 2021
With Independent Auditor's Reports

Parking Authority of the City of Newark
Essex County, New Jersey
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December 31, 2022 and 2021

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Parking Authority of the City of Newark
Essex County, New Jersey
Management's Discussion and Analysis (Unaudited)
December 31, 2022 and 2021

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, 2022 and 2021. 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-term and long-term financial information about its activities.

Basic Financial Statements

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

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

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

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

Financial Analysis of the Authority

The statement of net deficit and the statement of revenues, expenses, and changes in net deficit report information about the Authority's activities in a way that will help answer this question. These two statements report net deficit of the Authority and the changes in those deficits. Over time, increases or decreases in the Authority's net deficit are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other nonfinancial factors such as changes in conditions, population growth, development, contractual requirements and new or changed government regulations.

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

CONDENSED STATEMENTS OF NET DEFICIT

	2022	2021	2020
Assets and Deferred Outflows of Resources			
Unrestricted	\$ 2,044,133	\$ 2,368,419	\$ 2,075,856
Restricted	28,283	28,268	1,395,802
Noncurrent assets	19,202,741	18,704,096	-
Capital assets, net	40,497,313	41,961,619	41,210,821
Deferred outflows of resources:			
Pension related	312,567	341,222	798,223
Fair value of hedging derivatives	-	3,657,952	5,734,327
Total assets and deferred outflows of resources	<u>\$ 62,085,027</u>	<u>\$ 67,061,576</u>	<u>\$ 51,215,029</u>
Liabilities and Deferred Inflows of Resources			
Current liabilities	\$ 3,538,517	\$ 3,654,363	\$ 3,054,294
Long-term liabilities	40,705,095	44,883,874	48,138,806
Deferred inflows of resources:			
Pension related	933,738	2,211,277	2,090,976
Fair value of hedging derivatives	863,625	-	-
Leases	18,136,790	18,775,939	-
Total liabilities and deferred inflows of resources	<u>64,177,765</u>	<u>69,525,453</u>	<u>53,284,076</u>
Net Deficit			
Net investment in capital assets	2,508,422	2,250,514	2,960,369
Restricted	33,197	33,182	1,400,716
Unrestricted	<u>(4,634,367)</u>	<u>(4,747,573)</u>	<u>(6,430,132)</u>
Total net deficit	<u>(2,092,738)</u>	<u>(2,463,877)</u>	<u>(2,069,047)</u>
Total liabilities, deferred inflows of resources and net deficit	<u>\$ 62,085,027</u>	<u>\$ 67,061,576</u>	<u>\$ 51,215,029</u>

Current Assets

Unrestricted cash was \$805,967 at December 31, 2022 representing a net decrease of \$715,841 as compared to the December 31, 2021 balance. The decrease in cash is primarily related to an increase in interest paid on debt in 2022. Restricted cash had a balance of \$28,283 as of December 31, 2022, representing minimal change as compared to December 31, 2021.

Accounts receivable as of December 31, 2022 increased by \$185,359 compared to December 31, 2021. The changes are predominately due to the increase in the amount due from the City of Newark. Prepaid expenses as of December 31, 2022 increased \$21,919 compared to December 31, 2021. This increase is primarily due to the Authority prepaying a large portion of its insurance premiums in 2022.

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 Essex County, New Jersey
 Management's Discussion and Analysis (Unaudited)
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Non-current Assets

Non-current assets net decreased by \$965,661 compared to 2021, which was primarily due to a significant increase in depreciation expense. This increase is related to the Green Street Mixed-Use Parking Facility project that was completed in July 2021 therefore only a half year depreciation was taken. In 2022 the Authority took a whole year depreciation for the Green Street Mixed-Use Parking Facility.

Capital Assets

Capital assets are as follows at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Non-depreciable capital assets</i>			
Land	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000
Construction in progress	-	-	38,286,393
Total non-depreciable capital assets	<u>2,100,000</u>	<u>2,100,000</u>	<u>40,386,393</u>
<i>Depreciable capital assets</i>			
Parking facilities	39,822,373	39,822,373	-
Furniture and fixtures	97,424	97,424	72,670
Improvements	39,382	39,382	39,382
Meters	2,206,176	2,191,116	2,191,116
Computers	98,190	98,190	75,696
Vehicles	414,997	414,997	414,997
Total depreciable capital assets	<u>42,678,542</u>	<u>42,663,482</u>	<u>2,793,861</u>
Less: Accumulated depreciation and amortization	<u>4,281,229</u>	<u>2,801,863</u>	<u>1,969,433</u>
Total depreciable capital assets, net	<u>38,397,313</u>	<u>39,861,619</u>	<u>824,428</u>
Capital assets, net	<u>\$ 40,497,313</u>	<u>\$ 41,961,619</u>	<u>\$ 41,210,821</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 2022 by \$28,665 compared to 2021. The decrease resulted from an overall decrease in pension liability from the State actuarial calculation. Deferred outflows of resources related to hedging derivatives decreased in 2022 by \$3,657,952 compared to 2021 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 decreased by \$115,846. The decrease is primarily due to a decrease in 2020 deferred interest on Bonds that was paid during the year of 2022.

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Non-current Liabilities

Non-current liabilities will be paid beyond the next twelve (12) months after the balance sheet date. Non-current liabilities decreased by \$4,178,779. The decrease is primarily due to the decrease in accrued interest, in long-term debt and in the fair value of the Authority's interest rate swap liability.

Deferred Inflows of Resources

A *deferred inflow of resources* is defined as "an acquisition of net position by the government that is applicable to a future reporting period". Deferred inflows of resources related to pension decreased in 2022 by \$1,277,539 compared to 2021. 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. Deferred inflows of resources related to hedging derivatives increased in 2022 by \$863,625 compared to 2021 resulting from changes in fair value of hedging derivatives.

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

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

Operating Revenues

The Authority's operating revenues increased by \$2,482,876. The increase was primarily from a significant increase in ticket sharing revenue, meter collections revenue, revenue from the Green Street Mixed-Use Parking Facility, and revenue from event parking.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 7,539,525	\$ 5,056,649	\$ 3,267,435
Non-operating revenues	<u>844,538</u>	<u>1,031,369</u>	<u>63,820</u>
Total revenues	<u>8,384,063</u>	<u>6,088,018</u>	<u>3,331,255</u>
Operating expenses	4,992,495	4,047,507	4,474,291
Depreciation expense	1,479,366	832,429	190,503
Non-operating expenses	<u>1,541,063</u>	<u>1,602,912</u>	<u>1,497,684</u>
Total expenses	<u>8,012,924</u>	<u>6,482,848</u>	<u>6,162,478</u>
Changes in net position (deficit)	371,139	(394,830)	(2,831,223)
Net position (deficit), beginning of year	<u>(2,463,877)</u>	<u>(2,069,047)</u>	<u>762,176</u>
Net deficit, end of year	<u>\$ (2,092,738)</u>	<u>\$ (2,463,877)</u>	<u>\$ (2,069,047)</u>

Operating Expenses

Total operating expenses and depreciation expense increased by \$1,591,925. This increase was mainly from an increase in depreciation expense, salaries, and professional fees.

**Parking Authority of the City of Newark
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Non-operating Revenues and Expenses

Total non-operating revenue and expenses decreased by \$124,982. The decrease was primarily due to the decrease in the American Rescue grant revenue in 2022 compared to 2021, offset by the increase in interest earned on leases.

Net Deficit

Total assets and deferred outflows or resources of the Authority as of December 31, 2022, were approximately \$62.09 million, while total liabilities and deferred inflows of resources were approximately \$64.18 million, resulting in liabilities and deferred inflows of resources exceeding liabilities and assets and deferred outflows of resources by approximately \$2.09 million.

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 2022 combined budget to actual comparison:

2022 BUDGET VS. ACTUAL

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Operating revenues	\$ 9,504,111	\$ 7,925,246	\$ (1,578,865)
Nonoperating revenues	9,200	371	(8,829)
Total revenues	<u>9,513,311</u>	<u>7,925,617</u>	<u>(1,587,694)</u>
Operating appropriations			
Personnel and other	2,624,728	2,625,377	(649)
Fringe benefits	1,283,000	1,180,735	102,265
Administration and general	1,623,640	1,730,994	(107,354)
Total operating appropriations	<u>5,531,368</u>	<u>5,537,106</u>	<u>(5,738)</u>
Non-operating appropriations			
Bond principal payment	792,020	897,846	(105,826)
Bond interest payment	1,337,722	1,541,063	(203,341)
Total non-operating appropriations	<u>2,129,742</u>	<u>2,438,909</u>	<u>(309,167)</u>
Total operating and non-operating appropriations	<u>7,661,110</u>	<u>7,976,015</u>	<u>(314,905)</u>
Excess (deficit) - budgetary basis	<u>\$ 1,852,201</u>	<u>\$ (50,398)</u>	<u>\$ (1,902,599)</u>

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Debt Administration

Upon execution of the inter-local agreement and transfer of certain parking assets (parking meters) on August 6, 2008 (see Note 1) the Authority is liable to make payments to the City of Newark for the Bond Anticipation Notes in the amount of \$1,425,000. The notes bear interest at 5%. See Note 8 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. The principal on the bonds is payable the first day of each month commencing on January 1, 2022. The bonds mature on June 20, 2050. See Note 8 for more information.

Economic Factors, Future Years' Budgets and Rates

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

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

Contacting the Authority

These financial statements are designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Parking Authority of the City of Newark, located at 47-63 Green Street, Newark, New Jersey 07102.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Parking Authority of the City of Newark (the "Authority"), a proprietary fund, which comprise the statements of net deficit as of December 31, 2022 and 2021, and the related statements of revenues, expenses, and changes in net deficit, and cash flows for the years then ended, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Parking Authority of the City of Newark as of December 31, 2022 and 2021, and the changes in its net deficit and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

During 2022, the Authority adopted GASB 87, *Leases* (Note 2). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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



Supplementary Information

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

The schedule of operating revenues and expenditures – budget to actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating revenues and expenditures – budget to actual is fairly stated, in all material respects, in relation to the financial statements as whole.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Withum Smith & Brown, PC

July 23, 2024

Parking Authority of the City of Newark
 Essex County, New Jersey
 Statements of Net Deficit
 December 31, 2022 and 2021

	2022	2021
Assets and Deferred Outflows of Resources		
Current assets		
Cash and cash equivalents	\$ 805,987	\$ 1,521,808
Restricted cash	28,283	28,268
Investments in certificate of deposit	40,548	40,548
Accounts receivable	514,649	329,290
Leases receivable, current portion	578,895	394,618
Prepaid expenses	104,074	82,155
Total current assets	<u>2,072,416</u>	<u>2,396,687</u>
Derivative Instrument - Interest rate swap	863,625	-
Leases receivable, net of current portion	18,339,116	18,704,096
Capital assets, net	<u>40,497,313</u>	<u>41,961,619</u>
Total assets	<u>61,772,470</u>	<u>63,062,402</u>
Deferred outflows of resources		
Pension related	312,557	341,222
Fair value of hedging derivatives	-	3,657,952
Total deferred outflows of resources	<u>312,557</u>	<u>3,999,174</u>
Total assets and deferred outflows of resources	<u>\$ 62,085,027</u>	<u>\$ 67,061,576</u>
Liabilities, Deferred Inflows of Resources and Net Deficit		
Current liabilities		
Accounts payable	\$ 1,875,350	\$ 1,763,286
Accrued expenses	259,384	241,575
Accrued interest, current	391,741	653,642
Current portion of long-term debt	1,012,042	995,860
Total current liabilities	<u>3,638,517</u>	<u>3,654,363</u>
Non-current liabilities		
Accrued interest, net of current portion	73,760	384,822
Long-term debt, net of current portion	36,976,848	37,890,876
Net pension liability	3,654,487	2,950,224
Derivative instrument - Interest rate swap	-	3,657,952
Total non-current liabilities	<u>40,705,095</u>	<u>44,883,874</u>
Total liabilities	<u>44,243,612</u>	<u>48,538,237</u>
Deferred inflows of resources		
Pension related	933,738	2,211,277
Fair value of hedging derivatives	863,625	-
Leases	18,136,790	18,775,939
Total deferred inflows of resources	<u>19,934,153</u>	<u>20,987,216</u>
Net deficit		
Net investment in capital assets	2,508,422	2,260,514
Restricted for:		
Parking asset acquisition and upgrade	4,914	4,914
Construction	28,283	28,268
Unrestricted	<u>(4,634,357)</u>	<u>(4,747,573)</u>
Total net deficit	<u>(2,092,738)</u>	<u>(2,463,877)</u>
Total liabilities, deferred inflows of resources and net deficit	<u>\$ 62,085,027</u>	<u>\$ 67,061,576</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 Deficit
 Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues		
Meter collections	\$ 2,934,937	\$ 2,243,287
Ticket sharing	3,022,280	2,137,477
Green Street Garage		
City of Newark lease	478,187	398,489
Parking	781,446	212,276
MPG lease	181,843	57,532
Food truck permit program	9,575	5,400
Event parking	131,257	2,188
Total operating revenues	<u>7,539,525</u>	<u>5,056,649</u>
Operating expenses		
Salaries	2,625,377	2,384,540
Fringe benefits and payroll taxes	1,180,735	1,104,611
Pension benefit, net	(239,201)	(372,461)
Professional fees	276,639	133,659
Lease payment - City of Newark	38,779	4,008
Rent	-	38,718
Administrative and general expenses	1,110,166	754,432
Depreciation and amortization	1,479,366	832,429
Total operating expenses	<u>6,471,861</u>	<u>4,879,936</u>
Operating income	<u>1,067,664</u>	<u>176,713</u>
Non-operating revenues (expenses)		
Investment income	-	418
Interest earned on investments	371	2,608
Interest earned on leases	844,167	528,343
Grant income	-	500,000
Interest expense	(1,541,063)	(1,602,912)
Total non-operating revenues (expenses)	<u>(696,525)</u>	<u>(571,543)</u>
Changes in net deficit	371,139	(394,830)
Net deficit		
Beginning of year	<u>(2,463,877)</u>	<u>(2,069,047)</u>
End of year	<u>\$ (2,092,738)</u>	<u>\$ (2,463,877)</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating activities		
Cash received from ticket sharing	\$ 2,960,933	\$ 2,051,945
Cash received from meter collections	2,938,238	2,178,457
Cash received from event parking	52,159	2,188
Cash received from lease and other	944,388	357,823
Payments to employees	(2,603,181)	(2,310,871)
Payments for employee benefits and payroll taxes	(1,636,380)	(1,339,974)
Payments to suppliers	(1,189,589)	(675,456)
Net cash provided by operating activities	<u>1,466,568</u>	<u>264,112</u>
Noncapital financing activities		
Grant income received	<u>-</u>	<u>500,000</u>
Capital and related financing activities		
Purchases of capital assets	(15,060)	(2,752,135)
Proceeds from sale of bonds	-	1,300,000
Principal paid on debt	(897,846)	(40,579)
Interest paid on debt	(2,114,026)	(1,464,173)
Net cash used in capital and related financing activities	<u>(3,026,932)</u>	<u>(2,956,887)</u>
Investing activities		
Interest and investment income received	<u>844,538</u>	<u>531,369</u>
Net change in cash and cash equivalents	(715,826)	(1,661,406)
Cash and cash equivalents		
Beginning of year	<u>1,550,076</u>	<u>3,211,482</u>
End of year	<u>\$ 834,250</u>	<u>\$ 1,550,076</u>
Cash and cash equivalents - statements of net deficit		
Cash and cash equivalents	\$ 805,967	\$ 1,521,808
Restricted cash	<u>28,283</u>	<u>28,288</u>
Total cash and cash equivalents - statements of net deficit	<u>\$ 834,250</u>	<u>\$ 1,550,076</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating activities		
Operating Income	\$ 1,067,664	\$ 176,713
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,479,366	832,429
Change in		
Accounts receivable	(139,432)	(143,461)
Lease receivable	180,703	75,715
Prepaid expenses	(21,919)	(48,357)
Accounts payable	66,137	314,185
Accrued expenses	17,809	119,446
Net pension liability	704,263	(1,241,370)
Deferred outflows of resources related to pension	28,665	457,001
Deferred inflows of resources related to pension	(1,277,539)	120,301
Deferred inflows of resources related to leases	(639,149)	(398,490)
Net cash provided by operating activities	<u>\$ 1,466,568</u>	<u>\$ 264,112</u>
Noncash capital and related financing activities		
Increase (decrease) in fair value of hedging derivatives	<u>\$ (4,521,577)</u>	<u>\$ 2,076,374</u>
Construction in progress included in accounts payable	<u>\$ -</u>	<u>\$ 850,000</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, 2022 and 2021

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 \$967,739 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, 2022 and 2021, 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 8.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements

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

The Authority adopted the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments*. Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net deficit, a statement of revenues, expenses, and changes in net deficit, and a statement of cash flows. It requires the classification of net deficit into three components: net investment in capital assets, restricted, and unrestricted.

Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Financial Statements
December 31, 2022 and 2021

The classifications of net deficit are defined as follows:

- Net Investment in capital assets - 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 "net investment in capital assets."

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 criteria 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 criteria, 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 criteria, 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 asset/liability.

Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Financial Statements
December 31, 2022 and 2021

Operating Revenues and Revenue and Cost Recognition

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

Compensated Absences

The Authority follows the guidance under the provision of GASB Statement Number 16, *Accounting for Accumulated Absences*. Vacation pay may be taken as time off or paid upon retirement at an agreed upon rate. Vacation leave may be carried to the next succeeding calendar year only. Sick pay may only be taken as time off or paid upon retirement with no more than twenty-four accumulated sick days at the rate determined by the Board or designee. Accumulated compensated absences amounted to \$191,705 and \$170,594 as of December 31, 2022 and 2021, respectively. This amount is reflected on the statements of net deficit in accrued expenses.

Accounts Receivable

Accounts receivable is primarily comprised of amounts due from the City of Newark of the Authority's portion of ticket sharing revenue. The Authority believes that an allowance for doubtful accounts is not necessarily due to its past history of collecting all accounts from the City of Newark.

Impairment of Capital Assets

In accordance with the provisions of the pronouncement related to accounting and financial reporting for impairment of capital assets, the Authority assesses capital assets for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset have both significantly and unexpectedly declined. For the years ended December 31, 2022 and 2021, management has determined that there was no impairment of capital assets.

Deferred Outflows/Inflows of Resources

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

The Authority's other deferred outflows and deferred inflows are a result of its participation in the pension plan (Note 10).

Pension

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

Parking Authority of the City of Newark
 Essex County, New Jersey
 Notes to Financial Statements
 December 31, 2022 and 2021

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 the 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 inflow (outflow) of resources in the statements of net deficit, which equals the value of the corresponding swap asset (liability).

Recently Adopted Accounting Pronouncements

Leases

As of January 1, 2021, the Authority implemented GASB Statement No. 87, *Leases*. GASB 87 enhances the consistency for leasing activities and establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right of use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The following represents the adjustments to the statements of net deficit and statements of revenue, expenses and changes in net deficit as a result of adoption of GASB 87 in the current year:

	<u>As Previously Reported</u>	<u>As Restated</u>
As of December 31, 2021		
Statement of net deficit		
Lease receivable	\$ -	\$ 19,098,714
Deferred inflows related to lease receivable	\$ -	\$ 18,775,939
Unrestricted net deficit	\$ (5,070,348)	\$ (4,747,573)
Total net deficit	\$ (2,786,652)	\$ (2,463,877)
Statement of revenues, expenses, and changes in net deficit		
City of Newark lease	\$ 604,057	\$ 398,489
Interest earned on leases	\$ -	\$ 528,343

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Subscription-Based Information Technology Arrangements

As of January 1, 2021, the Authority implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The Authority had no arrangements which required recognition under this standard.

Future Pronouncements Not Yet Adopted

Accounting Changes and Error Corrections

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB 62*, is effective for reporting periods beginning after June 15, 2023. The objective of this statement is to provide consistency for changes in accounting principles, accounting estimates, and the reporting entity and corrections of errors.

Compensated Absences

GASB Statement No. 101, *Compensated Absences*, is effective for reporting periods beginning after December 15, 2023. The objective of this statement is to update the recognition and measurement for compensated absences.

Management has not completed its review of the requirements of these standards and their applicability.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

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

Legal Compliance - Budgets

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

The accompanying schedule of operating revenues and expenditures - budget and actual has been prepared on a legally prescribed basis of accounting, which differs from U.S. GAAP in certain respects. The Authority's budget is prepared for its funds on the modified accrual basis of accounting. Annual appropriated budgets are adopted for all general and enterprise-type funds. Any material modification within the adopted budget cannot be made by the Board of Commissioners without the Division of Local Government Services' approval.

**Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Financial Statements
December 31, 2022 and 2021**

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.

Credit Risk

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

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

The above standard is established as the standard for professional responsibility and shall be applied in the context of managing the Authority's overall portfolio. At December 31, 2022 and 2021, the Authority's investments representing greater than 5% of its portfolio were non-negotiable certificates of deposit, which totaled \$40,548.

Custodial Credit Risk

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

Interest Rate Risk

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

Parking Authority of the City of Newark
 Essex County, New Jersey
 Notes to Financial Statements
 December 31, 2022 and 2021

Concentrations

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

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

	2022		2021	
	Bank	Book	Bank	Book
Unrestricted cash	\$ 821,633	\$ 805,967	\$ 754,158	\$ 1,521,808
Restricted cash	28,283	28,283	28,268	28,268
Certificate of deposit	40,745	40,548	40,719	40,548
	<u>\$ 890,661</u>	<u>\$ 874,798</u>	<u>\$ 823,145</u>	<u>\$ 1,590,624</u>

Of the bank balance at December 31, 2022 and 2021, \$709,497 and \$724,895, respectively, was covered by Federal Depository Insurance. The remaining bank balances were covered by the Governmental Unit Deposit Protection Act ("GUDPA"), N.J.S.A. 17:9-41, et seq., for all New Jersey governmental units' deposits in excess of the federal deposit maximums.

Investments

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

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

Investments at December 31, 2022 and 2021 consist of nonnegotiable certificates of deposit.

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

Parking Authority of the City of Newark
 Essex County, New Jersey
 Notes to Financial Statements
 December 31, 2022 and 2021

6. 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 ended December 31, 2022 and 2021 was as follows:

	Balance 1/1/2022	Additions	Retirements/ Reclassifications	Balance 12/31/2022
Capital assets not being depreciated				
Land	\$ 2,100,000	\$ -	\$ -	\$ 2,100,000
Capital assets being depreciated				
Parking facilities	39,822,372	-	-	39,822,372
Furniture and fixtures	97,424	-	-	97,424
Improvements	39,382	-	-	39,382
Meters	2,191,116	15,060	-	2,206,176
Computers	98,190	-	-	98,190
Vehicles	414,997	-	-	414,997
Total	42,663,481	15,060	-	42,678,541
Less: Accumulated depreciation				
Parking facilities	663,706	1,327,412	-	1,991,118
Furniture and fixtures	72,670	4,951	-	77,621
Improvements	39,382	-	-	39,382
Meters	1,593,995	117,014	-	1,711,009
Computers	75,696	7,498	-	83,194
Vehicles	356,413	22,491	-	378,904
Total	2,801,862	1,479,366	-	4,281,228
Total capital assets being depreciated, net of accumulated depreciation	39,861,619	(1,464,306)	-	38,397,313
Capital assets, net	\$ 41,961,619	\$ (1,464,306)	\$ -	\$ 40,497,313

Parking Authority of the City of Newark
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	Balance 1/1/2021	Additions	Retirements/ Reclassifications	Balance 12/31/2021
Non-depreciable capital assets				
Land	\$ 2,100,000	\$ -	\$ -	\$ 2,100,000
Construction in progress	38,286,393	-	38,286,393	-
Total	<u>40,386,393</u>	<u>-</u>	<u>38,286,393</u>	<u>2,100,000</u>
Depreciable capital assets				
Parking facilities	-	39,822,372	-	39,822,372
Furniture and fixtures	72,670	24,754	-	97,424
Improvements	39,382	-	-	39,382
Meters	2,191,116	-	-	2,191,116
Computers	75,696	22,494	-	98,190
Vehicles	414,997	-	-	414,997
Total	<u>2,793,861</u>	<u>39,869,620</u>	<u>-</u>	<u>42,663,481</u>
Less: Accumulated depreciation				
Parking facilities	-	663,706	-	663,706
Furniture and fixtures	72,670	-	-	72,670
Improvements	39,382	-	-	39,382
Meters	1,466,322	127,673	-	1,593,995
Computers	75,696	-	-	75,696
Vehicles	315,363	41,050	-	356,413
Total	<u>1,989,433</u>	<u>832,429</u>	<u>-</u>	<u>2,801,862</u>
Total depreciable capital assets, net of accumulated depreciation	<u>824,428</u>	<u>39,037,191</u>	<u>-</u>	<u>39,861,619</u>
Capital assets, net	<u>\$ 41,210,821</u>	<u>\$ 39,037,191</u>	<u>\$ 38,286,393</u>	<u>\$ 41,961,619</u>

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was \$1,479,366 and \$832,429, 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. In addition, the lease required the Authority to pay the City 70% of the net profits as defined in the lease. The remaining 30% was retained by the Authority for operations. After July 2016, the Authority was not required to pay the basic rent as the debt was retired by new financing.

As of December 31, 2022 and 2021, the amount due to the City was \$-0-. For the years ended December 31, 2022 and 2021, total lease expense to the City was \$38,779 and \$4,008, respectively.

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

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Essex County, New Jersey
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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 \$181,843 and \$57,532 for the years ended December 31, 2022 and 2021, respectively.

7. LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES

The Authority leases office space to the City of Newark under a non-cancelable operating lease arrangement which expires in May 2051. Monthly payments range from \$60,405 to \$93,710 over the course of the lease. The lease does not include an option to renew. The Authority did not receive any variable payments under these leases for the years ended December 31, 2022 and 2021.

The Authority has an agreement with Devils Arena Entertainment LLC ("HSBE") for the access and use of up to 225 parking spaces in the Green Street parking deck in connection with sporting events, concerts, and other events held at the Prudential Center. In consideration of the use and occupancy of the designated parking spaces, HSBE committed to pay a fee of \$12.50 per space. HSBE is not obligated to purchase a certain number of spaces for any particular event; rather, HSBE will pay a minimum annual fee of \$300,000. The agreement is for a term of 10 years; HSBE has the option to extend the agreement for four additional 5-year terms.

On January 5, 2023, an amendment was signed to modify the minimum annual fees for calendar years 2023 and 2024; under the amendment, HSBE will pay a minimum annual fee of \$480,000 for the two-year period.

The Authority used the incremental borrowing rate for its Subordinate Mortgage Note to discount the lease payments to recognize the lease receivable and deferred inflows of resources. The borrowing rate used was 4.43%.

The Authority's leases receivable, deferred inflows of resources related to leases, lease revenue, and interest revenue related to leases as of and for the years ended December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Leases receivable	\$ 18,918,011	\$ 19,098,714
Deferred inflows of resources - leases	\$ 18,136,790	\$ 18,775,939
Lease revenue	\$ 609,444	\$ 400,677
Interest revenue related to leases	\$ 844,167	\$ 528,343

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Aggregate principal maturities and interest on leases receivable are as follows as of December 31, 2022:

Year	Principal	Interest	Total Payments
2023	\$ 368,793	\$ 836,076	\$ 1,204,869
2024	(64,070)	819,142	755,072
2025	239,492	821,620	1,061,112
2026	250,235	810,877	1,061,112
2027	293,705	799,120	1,092,825
2028-2032	1,835,040	3,774,014	5,609,054
2033-2037	2,698,405	3,280,783	5,979,188
2038-2042	3,766,988	2,576,490	6,343,478
2043-2047	5,143,516	1,600,796	6,744,312
2048-2051	4,386,907	366,117	4,752,024
	<u>\$ 18,918,011</u>	<u>\$ 15,685,035</u>	<u>\$ 34,603,046</u>

8. LONG-TERM DEBT

Parking Meter Bond

Upon execution of the inter-local agreement and transfer of certain parking assets (parking meters) on August 6, 2008, the Authority became liable to make payments to the City of Newark for Bond Anticipation Notes issued in the amount of \$1,425,000. The notes, originally issued January 24, 2008, with a maturity of January 23, 2009, were renewed through January 20, 2010. Upon maturity, the debt service payments of the notes were negotiated, and repayments began June 1, 2011, with the final payment due June 1, 2022. The annual principal repayments of \$142,500 are due until maturity. The notes bore interest at 5.00%. Interest expense for each of the years ended December 31, 2022 and 2021 amounted to \$7,125.

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.

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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.

In June 2022, the Authority entered into a fifth amendment to the Series 2018 bond agreement. The amendment deferred a portion of the 2020 deferred interest in the amount of \$288,720, which was the aggregated amount of 2020 deferred interest due from February 1, 2022 through April 1, 2022. After the amendment, this portion of the 2020 deferred interest was to be paid in eight installments commencing on May 1, 2022. As of December 31, 2022, the Authority paid off the entire 2020 deferred interest.

Interest on the bond is payable monthly using variable interest rates reset monthly based on the London Interbank Offered Rate ("LIBOR"). On December 31, 2022 and 2021, the variable interest rate payable was 4.99% and 1.71%, respectively.

The Authority is required to annually satisfy certain covenant requirements, including maintaining an EBITDA ratio and furnishing audited financial statements within 150 days after the close of each fiscal year. The Authority was not in compliance with these covenants as of December 31, 2022 and 2021 and received a waiver for each year.

Swap Payments and Associated Debt

Net swap payments and related debt service requirements subsequent to December 31, 2022, assuming current interest rates remain the same for the term of the agreement, are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 731,208	\$ 1,496,464	\$ 2,227,672
2024	761,882	1,465,791	2,227,673
2025	789,892	1,437,781	2,227,673
2026	826,978	1,400,695	2,227,673
2027	861,670	1,366,003	2,227,673
2028-2032	4,878,158	6,260,206	11,138,364
2033-2037	5,988,361	5,150,003	11,138,364
2038-2042	7,358,506	3,779,858	11,138,364
2043-2047	9,037,716	2,100,648	11,138,364
2048-2050	5,405,699	304,463	5,710,162
	<u>\$ 36,640,070</u>	<u>\$ 24,761,912</u>	<u>\$ 61,401,982</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 \$37.1 million and \$38.0 million at December 31, 2022 and 2021, respectively.

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Subordinate Mortgage Note

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

Aggregate remaining principal maturities and interest on the subordinate mortgage note are as follows as of December 31, 2022:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 123,579	\$ 50,984	\$ 174,563
2024	129,112	45,451	174,563
2025	135,165	39,397	174,562
2026	141,362	33,200	174,562
2027	147,844	26,718	174,562
2028-2031	<u>514,503</u>	<u>38,277</u>	<u>552,780</u>
	<u>\$ 1,191,665</u>	<u>\$ 234,027</u>	<u>\$ 1,425,592</u>

Debt Service Requirements

The Authority is leasing pay and display meters totaling \$172,797 under capital leases. The following is a schedule of future lease payments as of December 31, 2022:

2023	\$ 14,920
Less: Amount representing interest	(165)
Present value of net minimum lease payments	<u>\$ 14,755</u>

The tables below summarize the total additions and total reductions in long-term liabilities during fiscal years 2022 and 2021.

	<u>Balance 1/1/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2022</u>	<u>Current Portion</u>
Long-term debt					
Parking meter bond	\$ 142,500	\$ -	\$ -	\$ 142,500	\$ 142,500
Series 2018 bond	37,386,500	-	(746,430)	36,640,070	731,208
Capital lease	57,736	-	(42,981)	14,755	14,755
TD Bank note	<u>1,300,000</u>	<u>-</u>	<u>(108,435)</u>	<u>1,191,565</u>	<u>123,579</u>
Total long-term debt	38,886,736	-	(897,846)	37,988,890	1,012,042
Accrued interest	1,038,464	-	(572,963)	465,501	391,741
Net pension liability	2,950,224	704,263	-	3,654,487	-
Derivative instrument					
- Interest rate swap	<u>3,657,952</u>	<u>-</u>	<u>(3,657,952)</u>	<u>-</u>	<u>-</u>
	<u>\$ 46,533,376</u>	<u>\$ 704,263</u>	<u>\$ (5,128,761)</u>	<u>\$ 42,108,878</u>	<u>\$ 1,403,783</u>

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	Balance 1/1/2021	Additions	Reductions	Balance 12/31/2021	Current Portion
Long-term debt					
Parking meter bond	\$ 142,500	\$ -	\$ -	\$ 142,500	\$ 142,500
Series 2018 bond	37,386,500	-	-	37,386,500	701,770
Capital lease	98,315	-	(40,579)	57,736	42,981
TD Bank note	-	1,300,000	-	1,300,000	108,609
Total long-term debt	37,627,315	1,300,000	(40,579)	38,886,736	995,860
Accrued Interest	899,725	1,602,912	(1,464,173)	1,038,464	653,642
Net pension liability	4,191,594	-	(1,241,370)	2,950,224	-
Derivative Instrument					
- Interest rate swap	5,734,327	-	(2,076,375)	3,657,952	-
	<u>\$ 48,462,961</u>	<u>\$ 2,902,912</u>	<u>\$ (4,822,497)</u>	<u>\$ 46,533,376</u>	<u>\$ 1,649,502</u>

In August 2023, the Authority issued lease revenue bonds secured by its lease with the City of Newark. This bond issuance restructured existing Authority debt, including the defeasance of \$11.675 million of outstanding TD Bank principal. Additionally, proceeds from the restructuring paid the Authority's remaining construction cost of the Green Street Garage, including contractor payments and interest deferred from the project construction.

9. 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 as deferred outflows of resources or deferred inflows of resources, dependent upon whether the swap has a negative or positive fair value. 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 increased substantially in 2022 compared to rates in place when the swap became effective, the Authority's portfolio of swaps had a positive fair value at December 31, 2022.

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, 2022 and 2021, and the changes in fair value of the derivative instrument for the years then ended as reported in the 2022 and 2021 financial statements are as follows:

Bond Series	Effective Date	Maturity Date	Fixed Rate Paid	Variable-rate Received ¹	Current Notional Amount	Counterparty	Moody's/ S&P	2022 Fair Value
2018 Parking Revenue Bond	December 21, 2018	December 20, 2049	4.08%	81.6% of 1-month LIBOR plus 163 basis points	\$0	TD Bank	Aa1/AA-	\$ 883,826

Bond Series	Effective Date	Maturity Date	Fixed Rate Paid	Variable-rate Received ¹	Current Notional Amount	Counterparty	Moody's/ S&P	2021 Fair Value
2018 Parking Revenue Bond	December 21, 2018	December 20, 2049	4.08%	81.6% of 1-month LIBOR plus 163 basis points	\$0	TD Bank	Aa1/AA-	\$ (3,657,952)

The terms and other information respective of the Authority's hedging derivative instrument outstanding at December 31, 2022 and 2021, are detailed as follows:

	December 31, 2021	Changes in Fair Value		at December 31, 2022		
		Classification	Amount	Classification	Amount	Notional
Cash flow hedges						
Pay-fixed interest rate swap	\$ (3,657,952)	Deferred Outflow of Resources	\$ 4,621,577	Non-current liabilities	\$ 883,826	\$ 35,578,504

	December 31, 2020	Changes in Fair Value		at December 31, 2021		
		Classification	Amount	Classification	Amount	Notional
Cash flow hedges						
Pay-fixed interest rate swap	\$ (6,734,326)	Deferred Outflow of Resources	\$ 2,076,374	Non-current liabilities	\$ (3,657,952)	\$ 37,386,500

¹Variable-rate was 4.99% and 1.71% at December 31, 2022 and 2021, respectively.

Credit Risk

The Authority's swap relies upon the performance of the counterparty. If the interest rate rises and the total fair value of the swap with the counterparty becomes positive, the Authority may be exposed to credit risk in the agreement - the risk that the counterparty fails to perform according to contractual obligations. On December 31, 2022, the Authority's hedging derivative was exposed to credit risk. On December 31, 2021, the Authority's hedging derivative was not exposed to credit risk.

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.

10. PENSION PLAN

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

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits.

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55 of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60 of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 and 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Employer and Employee Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability.

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The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in the State fiscal year 2009. Such employers will be credited with full payment and any such amounts will not be included in their unfunded liability. The actuaries determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

During the years ended December 31, 2022 and 2021, the PERS received employer and employee contributions as follows:

	2022	2021
Employer contributions	\$ 305,372	\$ 291,652
Employee contributions	\$ 149,766	\$ 132,716
Salary basis for contributions	\$ 1,996,882	\$ 1,769,544
Percent of base wages	7.50%	7.50%

Summary of Significant Accounting Policies

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. 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.

Special Funding Situation

Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. The Authority had no allocated share of this special funding situation.

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

The net pension liability was measured as of June 30, 2022 and 2021, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 and 2020, 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, 2022 and 2021, respectively, as the measurement date.

The Authority's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2022 and 2021.

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

	<u>2022</u>	<u>2021</u>
Authority net pension liability	\$ 3,654,487	\$ 2,950,224
Authority's proportion	0.0242157313%	0.0249037622%

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

	<u>2022</u>	<u>2021</u>
Proportionate share of allocable plan pension expense	\$ (704,263)	\$ (664,068)
Net amortization of deferral amounts from changes in proportion	<u>465,062</u>	<u>291,607</u>
Total employer pension expense excluding that attributable to employer-paid member contributions	<u>\$ (239,201)</u>	<u>\$ (372,461)</u>

At December 31, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS as follows:

	<u>2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 11,323	\$ 547,221
Difference between expected and actual experience	26,376	23,280
Net difference between projected and actual earnings on pension plan investments	151,266	-
Changes in proportion and differences between the Authority contributions and proportionate share of contributions	<u>123,602</u>	<u>363,257</u>
	<u>\$ 312,557</u>	<u>\$ 933,738</u>

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

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

	Authority Share
2023	\$ (510,388)
2024	(260,026)
2025	(126,809)
2026	276,650
2027	(608)
	<u>\$ (621,181)</u>

Actuarial Assumptions

The collective total pension liability for the June 30, 2022 and 2021 measurement date was determined by an actuarial valuation as of July 1, 2021 and 2020, respectively, which was rolled forward to June 30, 2022 and 2021, respectively. This actuarial valuation used the following actuarial assumptions:

	2022	2021
Inflation rate		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary increases	2.75%-6.55%	2.00%-6.00%
	based on years of service	based on years of service
Thereafter	2.75%-6.55%	3.00%-7.00%
	based on years of service	based on years of service
Investment rate of return	7.00%	7.00%

For June 30, 2022 and 2021, 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.

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

The actuarial assumptions used in the July 1, 2021 and 2020 valuations were based on the results of an actuarial experience study for the period from July 1, 2018 to June 30, 2021.

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, 2022 and 2021 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

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Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	27.00%	8.09%
Non-U.S. developed markets equity	13.50%	8.71%
Emerging markets equity	5.50%	10.96%
Private equity	13.00%	11.30%
Real assets	8.00%	9.15%
Real estate	3.00%	7.40%
High yield	2.00%	3.75%
Private credit	8.00%	7.60%
Investment grade credit	8.00%	1.68%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk mitigation strategies	3.00%	3.35%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022 and 2021. 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 100% of the actuarially determined contributions for the State employer for the years ended June 30, 2022 and 2021, respectively, and 100% of actuarially determined contributions for the local employers for the years ended June 30, 2022 and 2021.

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, 2022 and 2021, 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:

	2022		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
Authority's proportionate share of the net pension liability	\$ 4,694,751	\$ 3,854,487	\$ 2,768,900
	2021		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
Authority's proportionate share of the net pension liability	\$ 4,017,607	\$ 2,950,224	\$ 2,044,398

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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.

11. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2022, the Authority's expenditures exceeded the legally enacted budget. Total operating expenses were over budget by approximately \$5,700, due to 2022 being the first year of operation for the Green Street expenditures related to its operation varied more than the Authority initially projected.

For the year ended December 31, 2021, the Authority's expenditures were less than the legally enacted budget.

12. NET DEFICIT

At December 31, 2022 and 2021, the Authority had an unrestricted net deficit of \$4,634,357 and \$4,747,573, respectively. There are several reasons for the deficit. The recognition of the Authority's proportionate share of the net pension liability and related deferred inflows and outflows of resources for financial reporting purposes resulted in a reduction of the Authority's net position of \$4,275,668 and \$4,820,279 as of December 31, 2022 and 2021, respectively. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, transfers in, and market performance of Plan investments managed by the New Jersey Division of Investment) to make the scheduled pension payments. During 2022, the continued effect of the COVID-19 pandemic along with the impact of economic inflation prevented the Authority from operating at maximum capacity. Given the current outlook on growth trends and the economic demographics within the City of Newark, the Authority expects an upward trend in subsequent years to eliminate the remaining net deficit.

13. COMMITMENTS

Operating Leases

Lessee

The Authority leased office space under an operating lease. 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 30 days' prior written notice. Rent expense for the years ended December 31, 2022 and 2021 amounted to \$-0- and \$38,718, respectively.

14. CONTINGENT LIABILITIES

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

On January 24, 2023, the Authority paid \$500,000 towards the 2022 contract settlement. The remaining balance of \$350,000 was paid in August 2023.

Parking Authority of the City of Newark
 Essex County, New Jersey
 Notes to Financial Statements
 December 31, 2022 and 2021

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

Litigation

The Authority has a number of financial instruments, including accounts receivable, accounts payable, and accrued liabilities. The Authority estimates that the fair value of these financial instruments for the years ended December 31, 2022 and 2021 do not differ materially from the aggregate carrying values of its financial instruments recorded in the statements of net deficit due to the relatively short maturity of these instruments, with the exception of the bonds payable (see Note 8).

16. RECONCILIATION OF BUDGETARY BASIS AND GAAP

The accompanying schedule of operating revenues and expenditures - budget to actual for the year ended December 31, 2022 presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with U.S. GAAP, a reconciliation of resultant basis, timing, perspective, and entity differences between excess of revenues under expenditures - budgetary basis and change in net deficit as presented in the statement of revenues, expenses, and changes in net deficit for the year ended December 31, 2022 is presented below:

Excess of revenues over (under) expenditures - budgetary basis	\$ (50,398)
Adjustments to budgetary basis	
Depreciation expense	(1,479,366)
Bond principal payment	897,846
Pension expense - net (GASB 68 adjustment)	544,611
Lease revenue (GASB 87 adjustment)	(385,721)
Interest earned on leases (GASB 87 adjustment)	844,167
Total adjustments	<u>421,537</u>
Changes in net deficit	<u>\$ 371,139</u>

17. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events occurring after the statement of net deficit date through the July 23, 2024, the date the financial statements were available to be issued. Based on this evaluation, the Authority has determined that, other than the matter noted in Note 8, no additional subsequent events have occurred which require adjustment to or disclosure in the financial statements.



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, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportionate share of the net pension liability (Local Group)	0.024215731%	0.024903762%	0.02570366%	0.02712685%	0.02812939%	0.02270451%	0.25337380%	0.02474051%	0.02057612%
Authority's proportionate share of the net pension liability	\$ 3,654,487	\$ 2,850,224	\$ 4,191,594	\$ 4,921,851	\$ 5,144,748	\$ 5,518,052	\$ 6,911,864	\$ 5,553,748	\$ 3,871,136
Authority's covered payroll	\$ 1,996,882	\$ 1,769,544	\$ 1,560,668	\$ 1,854,693	\$ 1,737,808	\$ 1,794,411	\$ 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	183.01%	166.72%	268.56%	263.95%	296.05%	309.24%	429.51%	357.38%	255.92%

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%	7.00%	6.25%	5.56%	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, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions									
Regular pension and non-contributory group insurance contribution	\$ 305,372	\$ 291,652	\$ 281,185	\$ 286,215	\$ 248,085	\$ 228,617	\$ 207,326	\$ 212,702	\$ 170,451
Chapter 19 P.L. 2009 Contribution	36	210	735	733	727	723	714	705	702
	305,410	291,862	281,920	286,948	248,812	229,340	208,040	213,408	171,153
Contributions in relation to the contractually required contribution	(305,410)	(291,862)	(281,920)	(289,943)	(248,812)	(229,340)	(208,040)	(213,408)	(171,153)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Percent of base wages	7.50%	7.50%	7.50%	7.50%	7.34% - 7.50%	7.20% - 7.34%	7.05% - 7.20%	6.92% - 7.05%	6.78% - 6.92%
Authority's covered payroll	\$ 1,996,882	\$ 1,769,544	\$ 1,560,668	\$ 1,864,633	\$ 1,737,806	\$ 1,784,411	\$ 1,509,229	\$ 1,554,013	\$ 1,512,823
Contributions as a percentage of the Authority's covered payroll	15.29%	16.49%	18.01%	14.25%	14.95%	12.31%	12.99%	13.73%	11.31%

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

Parking Authority of the City of Newark
 Essex County, New Jersey
 Notes to Required Supplementary Information
 Years Ended December 31, 2022 and 2021

1. SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATION OF THE 2022 CONTRIBUTION RATE

Valuation Date	July 1, 2021
Actuarial Cost Method	Projected Unit Credit Cost Method
Remaining Amortization Period	30-year closed period
Asset Valuation Method	The actuarial value of assets is adjusted to reflect actual contributions, benefit payments and administrative expenses, and an assumed rate of return on the previous year's assets and current year's cash flow at the prior year's actuarial valuation interest rate, with a further adjustment to reflect 20% of the difference between the resulting value and the actual market value of Plan assets.
Wage Growth	3.25%
Price Inflation	2.75%
Salary Increases	2.75% to 6.55%, varying by years of service and time period
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	<p><u>Pre-Retirement Mortality:</u> The Pub-2010 General Below-Median Income Employee mortality table [PubG-2010(B) Employee] as published by the Society of Actuaries with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For purposes of calculating projected cash flows used to determine the GASB discount rate, mortality improvement is based on SOA's Scale MP-2018. Upon direction from the DPB, for purposes of calculating the Total Pension Liability, mortality improvement is based on SOA's Scale MP-2021.</p> <p>All pre-retirement deaths are assumed to be ordinary deaths.</p> <p><u>Healthy Retirees and Beneficiaries (Healthy Annuitants):</u> The Pub-2010 General Below-Median Income Healthy Retiree mortality table [PubG-2010(B) Healthy Retiree] as published by the Society of Actuaries with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For purposes of calculating projected cash flows used to determine the GASB discount rate, mortality improvement is based on SOA's Scale MP-2018. Upon direction from the DPB, for purposes of calculating the Total Pension Liability, mortality improvement is based on SOA's Scale MP-2021.</p>

See Independent Auditor's Report.

Parking Authority of the City of Newark
 Essex County, New Jersey
 Notes to Required Supplementary Information
 Years Ended December 31, 2022 and 2021

Mortality (Continued)

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

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

Valuation Date	July 1, 2020
Actuarial Cost Method	Projected Unit Credit Cost Method
Remaining Amortization Period	30-year closed period
Asset Valuation Method	The actuarial value of assets is adjusted to reflect actual contributions, benefit payments and administrative expenses, and an assumed rate of return on the previous year's assets and current year's cash flow at the prior year's actuarial valuation interest rate, with a further adjustment to reflect 20% of the difference between the resulting value and the actual market value of Plan assets.
Wage Growth	3.25%
Price Inflation	2.75%
Salary Increases	2% to 7%, varying by years of service and time period
Investment Rate of Return	7.00%

Mortality

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

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

See Independent Auditor's Report.

Parking Authority of the City of Newark
Essex County, New Jersey
Notes to Required Supplementary Information
Years Ended December 31, 2022 and 2021

Mortality (Continued)

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

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

See Independent Auditor's Report.



SUPPLEMENTARY INFORMATION AND OTHER INFORMTAION

Parking Authority of the City of Newark
 Essex County, New Jersey
 Schedule of Operating Revenues and Expenditures - Budget to Actual
 Year Ended December 31, 2022

	2022 Budget	2022 Actual	Favorable (Unfavorable)
Operating revenue			
Ticket sharing	\$ 2,450,000	\$ 3,022,280	\$ 572,280
Meter collection	4,650,000	2,934,937	(1,715,063)
Food truck permit program	9,000	9,575	575
MPG lease	190,242	181,843	(8,399)
City of Newark office rent	724,869	724,868	(1)
Prudential arena annual rent	300,000	270,297	(29,703)
Office rent	200,000	-	(200,000)
Green street garage user fees	980,000	781,446	(198,554)
Non operating revenue			
Interest income	9,200	371	(8,829)
Total revenues	<u>\$ 9,513,311</u>	<u>\$ 7,925,617</u>	<u>\$ (1,587,694)</u>
Administrative and cost of providing services			
Salaries	\$ 2,624,728	\$ 2,625,377	\$ (649)
Fringe benefits and payroll taxes	1,283,000	1,183,884	99,116
Accounting fees and audit examination	66,500	139,832	(73,332)
Legal fees	25,000	36,692	(11,692)
Employee screening	1,500	840	660
Professional fees	-	115,611	(115,611)
Office expenses	10,500	74,479	(63,979)
Bank fees and visa debit	52,400	4,721	47,679
Telephone and wireless	18,000	32,985	(14,985)
Travel, conference, and training	15,500	36,075	(20,575)
Payroll expense	20,000	13,756	6,244
Luncheon meeting	3,500	6,575	(3,075)
Advertising	4,000	1,990	2,010
Uniforms	12,500	15,369	(2,869)
IT support	49,200	53,083	(3,883)

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, 2022

	2022 Budget	2022 Actual	Favorable (Unfavorable)
Insurance	359,000	128,585	230,415
Postage	650	1,155	(505)
Rent	200,000	-	200,000
Printing and badges	5,000	-	5,000
Parking permits	-	182,821	(182,821)
Parking studies	69,800	35,928	33,872
Office and officers communications	22,600	-	22,600
Eticket	100,000	87,526	12,474
ER Annual PERS Liability	-	305,410	(305,410)
MPG Net Profits/City	103,550	38,779	64,771
NPA Fleet Fuel/Maintenance	70,000	129,089	(59,089)
Meter Maintenance/Supplies	60,000	135,198	(75,198)
Armored service	20,000	9,633	10,367
Computer Upgrade & Hardware	7,000	-	7,000
Website Hosting	3,000	2,750	250
Utilities	-	86,640	(86,640)
Green street mixed use facility	324,440	52,323	272,117
Total administrative and general	<u>5,531,368</u>	<u>5,537,106</u>	<u>(5,738)</u>
Non-operating expense			
Bond principal payments	792,020	897,846	(105,826)
Interest expense	<u>1,337,722</u>	<u>1,541,063</u>	<u>(203,341)</u>
Total non-operating expense	<u>2,129,742</u>	<u>2,438,909</u>	<u>(309,167)</u>
Total costs funded by operating revenues	<u>7,661,110</u>	<u>7,976,015</u>	<u>(314,905)</u>
Budgetary revenues over (under) expenses	<u>\$ 1,852,201</u>	<u>\$ (50,398)</u>	<u>\$ (1,902,599)</u>

See Independent Auditor's Report

Parking Authority of the City of Newark
 Essex County, New Jersey
 Roster of Officials
 Year Ended December 31, 2022

Board of Commissioners

Raquel Cagley
 Andre Hollis
 Nathan 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

See Independent Auditor's Report

**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 of
Parking Authority of the City of Newark
Essex County, New Jersey:

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Parking Authority of the City of Newark (the "Authority"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 23 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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



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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Withum Smith & Brown, PC

July 23, 2024

Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of Findings and Recommendations
Years Ended December 31, 2022 and 2021

Schedule of Financial Statement Findings

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

Material Weaknesses

None to report.

Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of Prior Year Findings
Years Ended December 31, 2022 and 2021

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

None to report.