



**PARKING AUTHORITY OF THE CITY OF NEWARK
(A Component Unit of the City of Newark, New Jersey)**

**Financial Statements and
Required Supplementary Information
For the Years Ended December 31, 2019 and 2018
With Independent Auditor's Report**



MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

PARKING AUTHORITY OF THE CITY OF NEWARK
(A Component Unit of the City of Newark, New Jersey)
Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners of the
Parking Authority of the City of Newark

Report on the Financial Statements

We have audited the accompanying financial statements of the Parking Authority of the City of Newark (the Authority), a component unit of the City of Newark, New Jersey, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2019 and 2018, and the change in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the required schedule of the Authority's proportionate share of the net pension liability – New Jersey Public Employees' Retirement System (PERS) and the schedule of the Authority's contributions – PERS on pages 8 through 13 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The roster of officials and miscellaneous statistics are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The roster of officials and miscellaneous statistics have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



MITCHELL TITUS

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2022, 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 the Authority's 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.

Mitchell Titus, LLP

January 10, 2022



**INDEPENDENT AUDITOR'S 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**

The Board of Commissioners of the
Parking Authority of the City of Newark

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 the Parking Authority of the City of Newark (the Authority), a component unit of the City of Newark, New Jersey, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 10, 2022.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-01, that we consider to be a material weakness.

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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 determination of financial statement amounts. 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*.

The Authority's Response to the Finding

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Mitchell Titus, LLP". The signature is written in a cursive, flowing style.

January 10, 2022

PARKING AUTHORITY OF THE CITY OF NEWARK
(A Component Unit of the City of Newark, New Jersey)
Schedule of Findings and Responses

2019-01 – Financial Statement Close Process – (Material Weakness)

Criteria or Specific Requirement:

Good internal controls over the financial statement close process are required to ensure the accuracy, completeness and timely reporting of financial statements.

Condition and Context:

Deficiencies were identified involving internal control over financial reporting and its operation. We noted the following matters involving internal control over financial reporting and its operation that we consider to be a material weakness:

- There were adjustments made to the general ledger several times during the audit as several account schedules did not tie to the general ledger details, for example Accounts Payable and Garage Lease Income.
- Preparation of the financial statements lacked required note disclosures in accordance with U.S. GAAP.

Effect:

- Changes in the financial statement and presentation were made and required disclosures were added for the financial statements to be presented in accordance with U.S. GAAP.

Cause:

Due to limited resources to implement controls, certain financial statement preparation procedures were overlooked.

There is currently a lack of formal structure and procedures regarding the financial statement close process, including an effective review and approval of the financial statements in accordance with U.S. GAAP.

Recommendations:

To improve internal control over the financial statement close process, we recommend all transactions should be recorded on a timely basis and financial statement close checklists should be utilized to ensure financial statement accounts and disclosures are made in accordance with U.S. GAAP. Checklists should be reviewed timely for accuracy and completeness.

PARKING AUTHORITY OF THE CITY OF NEWARK
(A Component Unit of the City of Newark, New Jersey)
Schedule of Findings and Responses (*continued*)

2019-01 – Financial Statement Close Process – (Material Weakness) (continued)

Views of Responsible Official and Plans for Corrective Action:

Management concurs with the audit findings.

Management will review transactions for inclusion into correct accounting period. Additionally a financial statement disclosure checklist will be utilized when preparing the audit report. Finally, the audit report will be reviewed by management prior to providing to auditors.

Corrective Action:

The Authority will confer with our consultants to ensure all the transactions are properly rerecorded on a timely basis and the ensuing note disclosures reflect the same. Additionally, a formal review of the financial statements will be undertaken prior to the audit.



MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

As management of the Parking Authority of the City of Newark (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the years ended December 31, 2019 and 2018. Please read this analysis in conjunction with the Authority's financial statements which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BASIC FINANCIAL STATEMENTS

The *Statement of Net Position* includes all of the Authority's assets, deferred outflow and inflows of resources, liabilities, and net position, 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 revenue and expenses are accounted for in the *Statement of Revenue, Expenses, and Changes in Net Position*. This statement measures the results of the Authority's operations over the past year and can be used to determine whether the Authority has recovered all of its costs through its revenue sources and other charges, operational stability and credit worthiness.

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

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

PARKING AUTHORITY OF THE CITY OF NEWARK
(A Component Unit of the City of Newark, New Jersey)
Management's Discussion and Analysis (*continued*)

FINANCIAL ANALYSIS OF THE AUTHORITY

The Statement of Net Position and the Statement of Revenue, Expenses and Changes in Net Position report the net position of the Authority and changes in the net position. Over time, increases or decreases in the Authority's net position 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.

A summary of the Authority's Statements of Net Position is as follows:

Condensed Statements of Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Assets and deferred outflows of resources</i>			
Unrestricted	\$ 3,539,648	\$ 2,995,667	\$ 3,823,389
Restricted	19,396,521	38,028,449	4,912
Capital assets, net	22,483,105	5,048,121	2,560,353
Deferred outflows of resources	<u>4,391,487</u>	<u>2,871,367</u>	<u>1,936,178</u>
Total assets and deferred outflows of resources	<u>\$ 49,810,761</u>	<u>\$ 48,943,604</u>	<u>\$ 8,324,832</u>
<i>Liabilities and deferred inflows of resources</i>			
Current liabilities	\$ 1,012,579	\$ 1,438,201	\$ 717,761
Long-term liabilities	45,512,622	43,870,451	5,803,032
Deferred inflows of resources	<u>1,886,349</u>	<u>1,848,392</u>	<u>1,286,244</u>
Total liabilities and deferred inflows of resources	<u>\$ 48,411,550</u>	<u>\$ 47,157,044</u>	<u>\$ 7,807,037</u>
	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Net position</i>			
Net investment in capital assets	\$ 22,212,570	\$ 4,590,324	\$ 2,132,853
<i>Restricted</i>			
Parking asset acquisition	4,914	4,913	4,912
Unrestricted	<u>(20,818,273)</u>	<u>(2,808,677)</u>	<u>(1,619,970)</u>
Total net position	<u>1,399,211</u>	<u>1,786,560</u>	<u>517,795</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 49,810,761</u>	<u>\$ 48,943,604</u>	<u>\$ 8,324,832</u>

PARKING AUTHORITY OF THE CITY OF NEWARK
(A Component Unit of the City of Newark, New Jersey)
Management's Discussion and Analysis (*continued*)

CURRENT ASSETS

Unrestricted assets were \$3,539,647 as of December 31, 2019, representing a net increase of approximately \$543,980 as compared to the December 31, 2018 balance. The increase is related to an increase in operating revenue: ticket sharing, meter collections and parking lease. Restricted cash had a balance of \$19,396,521 as of December 31, 2019, representing a decrease of \$18,631,928 as compared to December 31, 2018. This decrease is attributed mainly to the transfer of funds to unrestricted cash in order to finance ongoing construction of the new parking deck.

Accounts receivable increased by \$117,870 from 2019 compared to 2018. The changes were predominately due to the timing of ticket-sharing revenue payments received from the City of Newark and New Jersey Performing Arts Center (NJ PAC) for the last two months of the year. Prepaid expenses increased \$8,475 from 2019 compared to 2018. This increase was primarily due to an increase in insurance premiums.

NONCURRENT ASSETS

Noncurrent assets increased in 2019 by \$16,797,948 compared to 2018, which was due to an increase to capital assets construction in progress, mainly for the Green Street Mixed-Use Parking Facility project, less depreciation of \$193,231

CAPITAL ASSETS

Capital assets at December 31, 2019, 2018, and 2017 are as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Nondepreciable capital assets</i>			
Land	\$ 2,100,000	\$ 2,100,000	\$ -
Construction in progress	19,451,003	1,822,760	1,465,991
Total nondepreciable capital assets	<u>21,551,003</u>	<u>3,922,760</u>	<u>1,465,991</u>
<i>Depreciable capital assets</i>			
Furniture and fixtures	72,670	72,670	72,670
Improvements	39,382	39,382	39,382
Meters	2,191,116	2,191,116	1,988,795
Computers	75,696	75,696	75,696
Vehicles	332,168	348,814	344,563
Total depreciable capital assets	2,711,032	2,727,678	2,521,106
Less: Accumulated depreciation	<u>1,778,930</u>	<u>1,602,317</u>	<u>1,426,744</u>
Total depreciable capital assets, net	<u>932,102</u>	<u>1,125,361</u>	<u>1,094,362</u>
Net capital assets	<u>\$ 22,483,105</u>	<u>\$ 5,048,121</u>	<u>\$ 2,560,353</u>

PARKING AUTHORITY OF THE CITY OF NEWARK
(A Component Unit of the City of Newark, New Jersey)
Management's Discussion and Analysis (*continued*)

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 2019 by \$487,449 compared to 2018. The decrease resulted from an overall decrease in pension liability from the State's actuarial calculation. See Note 10 for more information.

Deferred outflows of resources related to hedging derivatives represent changes in fair value of hedging derivatives. The value of the interest rate swap increased as a result of the hedging float rate being less than the hedging fixed rate. See Note 2 for more information.

CURRENT LIABILITIES

Current liabilities are liabilities that will be paid within the next twelve (12) months after year end. Current liabilities decreased in 2019 by \$425,622. The decrease in 2019 was primarily due to a decrease in accounts payable due to payments made toward invoices related to the Green Street Mixed-Use Parking Facility project and interest expense payable on bonds and hedging instruments.

NONCURRENT LIABILITIES

The increase in noncurrent liabilities of \$1,642,171 from 2019 compared to 2018 was mainly due to changes in fair value of hedging derivatives – interest rate swap liability, related to the contract executed in 2019.

DEFERRED INFLOWS OF RESOURCES

A deferred inflow of resources is defined as “an acquisition of net position by the government that is applicable to a future reporting period.”

Deferred inflows of resources related to pension increased in 2019 by \$37,957 compared to 2018. The increase resulted from the State's actuarial pension calculation. See Note 10 for more information.

PARKING AUTHORITY OF THE CITY OF NEWARK
(A Component Unit of the City of Newark, New Jersey)
Management's Discussion and Analysis (*continued*)

A summary of the Authority's Statements of Revenue, Expenses, and Changes in Net Position is as follows:

Condensed Statements of Revenue, Expenses, and Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenue	\$ 5,963,598	\$ 5,172,243	\$ 5,496,301
Nonoperating revenue	449,667	9,741	9,146
Total revenue	<u>6,413,265</u>	<u>5,181,984</u>	<u>5,505,447</u>
Operating expenses	5,625,783	5,757,736	5,079,931
Depreciation expense	193,231	198,712	195,872
Nonoperating expenses	1,618,636	56,771	25,531
Total expenses	<u>7,437,650</u>	<u>6,013,219</u>	<u>5,301,334</u>
(Loss) income before capital contribution	(1,024,385)	(831,235)	204,113
Capital contribution	<u>-</u>	<u>2,100,000</u>	<u>-</u>
Change in net position	(1,024,385)	1,268,765	204,113
Net position, beginning of year	<u>2,423,596</u>	<u>517,795</u>	<u>313,682</u>
Net position, end of year	<u>\$ 1,399,211</u>	<u>\$ 1,786,560</u>	<u>\$ 517,795</u>

OPERATING REVENUE

The Authority's operating revenue increased in 2019 by \$791,355. The increase was due primarily to an increase in ticket sharing, meter collections and lease revenue.

OPERATING EXPENSES

Total operating expenses increased by \$423,688 due to increases in 2019 salaries, rent, and lease payment expenses.

NON-OPERATING REVENUE AND EXPENSES

Total non-operating revenue and expenses increased approximately by \$1,121,939 due to an increase in interest expense on bonds and SWAP related to the Green Street project.

NET POSITION

Total assets and deferred outflows of resources of the Authority for the year ended December 31, 2019, were approximately \$49.8 million, while total liabilities and deferred inflows of resources were approximately \$48.3 million, resulting in assets and deferred outflows of resources exceeding liabilities and deferred inflow of resources by approximately \$1.4 million.

PARKING AUTHORITY OF THE CITY OF NEWARK
(A Component Unit of the City of Newark, New Jersey)
Management's Discussion and Analysis (*continued*)

DEBT ADMINISTRATION

Upon execution of the interlocal agreement and transfer of certain parking meters on August 6, 2008 (see Note 1), the Authority is liable to make payments to the City of Newark for the retirement of bonds in the amount of \$1,425,000. The bonds bear interest at 5%. See Note 6 for more information.

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

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.

ECONOMIC FACTORS, FUTURE YEARS' BUDGETS, AND RATES

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

In connection with the normal conduct of the Authority's business, it could from time to time be involved in various claims and litigation that 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 Greene Street, Newark, New Jersey 07102.

PARKING AUTHORITY OF THE CITY OF NEWARK
(A Component Unit of the City of Newark, New Jersey)
Statements of Net Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 2,874,846	\$ 2,457,290
Restricted cash	19,396,521	38,028,449
Investments	40,548	40,468
Accounts receivable	551,670	433,800
Prepaid expenses	72,584	64,109
Total current assets	<u>22,936,169</u>	<u>41,024,116</u>
Capital assets, net	<u>22,483,105</u>	<u>5,048,121</u>
Total assets	<u>45,419,274</u>	<u>46,072,237</u>
 <i>Deferred outflows of resources</i>		
Change in fair value of hedging derivatives	3,067,646	1,060,077
Pension related	<u>1,323,841</u>	<u>1,811,290</u>
Total deferred outflows of resources	<u>4,391,487</u>	<u>2,871,367</u>
Total assets and deferred outflows of resources	<u><u>\$ 49,810,761</u></u>	<u><u>\$ 48,943,604</u></u>
 LIABILITIES		
<i>Current liabilities</i>		
Accounts payable	\$ 544,894	\$ 1,030,130
Intergovernmental accounts payable	141,093	86,260
Accrued expenses	119,684	93,851
Unearned revenue	15,029	15,029
Accrued interest	49,380	34,261
Bonds and notes payable	<u>142,500</u>	<u>178,670</u>
Total current liabilities	<u>1,012,579</u>	<u>1,438,201</u>
 <i>Noncurrent liabilities</i>		
Bonds and notes payable	37,523,126	37,665,628
Derivative instrument - interest rate swap	3,067,646	1,060,077
Net pension liability	<u>4,921,851</u>	<u>5,144,746</u>
Total noncurrent liabilities	<u>45,512,622</u>	<u>43,870,451</u>
Total liabilities	<u>46,525,201</u>	<u>45,308,652</u>
 <i>Deferred inflows of resources</i>		
Pension related	<u>1,886,349</u>	<u>1,848,392</u>
 NET POSITION		
Net investment in capital assets	22,212,570	4,590,324
Restricted		
Parking asset acquisition and upgrade	4,914	4,913
Unrestricted	<u>(20,818,273)</u>	<u>(2,808,677)</u>
Total net position	<u>1,399,211</u>	<u>1,786,560</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 49,810,761</u></u>	<u><u>\$ 48,943,604</u></u>

The accompanying notes are an integral part of these financial statements.

PARKING AUTHORITY OF THE CITY OF NEWARK
(A Component Unit of the City of Newark, New Jersey)
Statements of Revenue, Expenses and Changes in Net Position
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUE		
Ticket sharing	\$ 2,275,983	\$ 1,889,463
Meter collections	2,904,143	2,555,479
Event parking	212,144	218,220
Military Parking Garage lease	556,478	488,979
Food truck permit program	14,850	20,102
Total operating revenue	<u>5,963,598</u>	<u>5,172,244</u>
OPERATING EXPENSES		
Salaries	2,367,835	2,244,244
Fringe benefits and payroll taxes	1,059,277	981,221
Pension expense	302,511	313,750
Professional fees	81,154	712,295
Lease payment - City of Newark	434,686	342,285
Rent	309,771	276,023
Administrative and general expenses	1,070,549	887,918
Depreciation	193,231	198,712
Total operating expenses	<u>5,819,014</u>	<u>5,956,448</u>
Operating income (loss)	144,584	(784,204)
NON-OPERATING REVENUE (EXPENSES)		
Investment income	432,915	-
Interest income	9,627	9,741
Gain on disposition of capital asset	7,125	-
Loss on disposition of capital asset	-	(2,263)
Interest expense	(1,618,636)	(54,508)
Total non-operating revenue expenses, net	<u>(1,168,969)</u>	<u>(47,030)</u>
Income (loss) before capital contribution	(1,024,385)	(831,234)
Capital contribution	<u>-</u>	<u>2,100,000</u>
(Decrease) increase in net position	(1,024,385)	1,268,766
Net position, beginning of year	<u>1,786,561</u>	<u>517,795</u>
Net position, end of year	<u><u>\$ 762,176</u></u>	<u><u>\$ 1,786,561</u></u>

The accompanying notes are an integral part of these financial statements.

PARKING AUTHORITY OF THE CITY OF NEWARK
(A Component Unit of the City of Newark, New Jersey)
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from ticket sharing	\$ 2,254,954	\$ 2,100,252
Cash received from meter collections	2,836,813	2,686,428
Cash received from event parking	212,144	195,520
Cash received from lease and other	617,394	592,097
Payments to employees	(2,359,615)	(2,300,554)
Payments for employee benefits and payroll taxes	(1,057,116)	(1,018,113)
Other operating disbursements	<u>(2,372,920)</u>	<u>(1,489,884)</u>
Net cash provided by operating activities	<u>131,655</u>	<u>765,746</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	432,832	-
Interest on investments	9,627	9,741
Donation meter	<u>-</u>	<u>51</u>
Net cash provided by investing activities	<u>442,459</u>	<u>9,792</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(16,991,176)	(386,422)
Interest expense	(1,618,636)	(29,153)
Repayments of long-term debt	(178,672)	(172,024)
Proceeds from bond issuance	<u>-</u>	<u>37,386,500</u>
Net cash (used in) provided by capital and related financing activities	<u>(18,788,484)</u>	<u>36,798,901</u>
Net (decrease) increase in cash	(18,214,371)	37,574,439
Cash, beginning of year	<u>40,485,739</u>	<u>2,911,300</u>
Cash, end of year	<u><u>\$ 22,271,368</u></u>	<u><u>\$ 40,485,739</u></u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating income (loss)	\$ 144,584	\$ (784,205)
<i>Adjustments to reconcile operating income (loss) to net cash provided by operating activities</i>		
Depreciation and amortization expenses	193,231	198,712
Pension expense	226,597	313,750
Gain on sale of equipment	7,125	-
<i>Change in</i>		
<i>(Increase)/Decrease in assets</i>		
Accounts receivable	(117,870)	402,054
Prepaid expenses	(8,475)	(23,354)
<i>Increase/(Decrease) in liabilities</i>		
Accounts payable	(425,622)	251,198
Accrued expenses	25,833	(92,409)
Accrued Interest	15,119	-
Intergovernmental accounts payable	<u>54,833</u>	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 115,355</u></u>	<u><u>\$ 265,746</u></u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Decrease in fair value of hedging derivatives	<u><u>\$ (3,067,646)</u></u>	<u><u>\$ (1,060,077)</u></u>
Recognition of capital contribution	<u><u>\$ -</u></u>	<u><u>\$ (2,100,000)</u></u>

The accompanying notes are an integral part of these financial statements.

PARKING AUTHORITY OF THE CITY OF NEWARK
(A Component Unit of the City of Newark, New Jersey)
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

NOTE 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. Its Board 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 maintaining, servicing and enforcement relating thereto; and (iii) management of the Parking Enforcement Officers in the performance of their duties.

On August 6, 2008, the City of Newark, upon approval of resolution 7R1-BE “Inter-local Agreement,” authorized the delivery of certain parking assets (parking meters) to the Parking Authority of the City of Newark, and obligated 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 Authority the power to issue meter violation tickets, provide motor vehicle towing services, and operate storage facilities and issue residential parking permits.

Upon execution of the above agreement, the Authority received parking assets (parking meters) worth \$957,739 and cash in the amount of \$542,261. The cash proceeds are restricted by the City of Newark for the future purchase of parking assets only. As of December 31, 2019 and 2018, the unspent restricted funds amounted to \$4,914 and \$4,913, respectively.

The Authority was held liable for Bond Anticipation Notes in the amount of \$1,425,000 and Bond Series 2018, which is explained in detail in Note 7.

PARKING AUTHORITY OF THE CITY OF NEWARK
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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, revenue is recognized when earned, and expenses are recorded when incurred. All significant intra-agency transactions have been eliminated.

The term measurement focus is used to denote what is being measured and reported in the Authority's financial statements. The Authority is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Authority is better or worse off economically as a result of events and transactions of the period.

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

The classifications of net position 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, 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 is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted - This component of net position is subject to 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."

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of Accounting *(continued)*

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 the Authority's operations. The primary criterion for including activities within a reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting 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; and
- there is a fiscal dependency by the organization on the primary government.

Based on the above criterion, the Authority is a component unit of the City of Newark without component units.

Non-Exchange Transactions

The Authority also adopted the provisions of GASB 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, deferred outflows/inflows of resources and liabilities, disclosure of contingent assets and 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, net pension liability and related deferred outflows and inflows of resources, and derivative swap liability.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Operating Revenue and Revenue and Cost Recognition

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

Compensated Absences

The Authority permits employees to accrue unused vacation and sick pay. Vacation pay may be taken as time off or paid upon retirement at an agreed-upon rate. Vacation leave may be carried to the next succeeding calendar year only. Sick pay may only be taken as time off or paid upon retirement with no more than 24 accumulated sick days at rates determined by the Board or designee. Accumulated compensated absences amounted to \$90,653 and \$87,524 for the years ended December 31, 2019 and 2018, respectively. Such amounts are reflected in the statements of net position as accrued expenses.

Accounts Receivable

Accounts receivable is comprised primarily of amounts due from the New Jersey Performing Arts Center Corporation (NJ PAC) for the basic rent for the months of November and December, and from amounts due from the City of Newark of the Authority's portion of ticket-sharing revenue for the months of November and December. The Authority believes that an allowance for doubtful accounts is not necessary due to its past history of collecting all accounts from the NJ PAC and due to its past dealings with the City of Newark.

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 has both significantly and unexpectedly declined. For the years ended December 31, 2019 and 2018, management has determined that there was no impairment of capital assets.

PARKING AUTHORITY OF THE CITY OF NEWARK
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Years Ended December 31, 2019 and 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources

The statements of net position report separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then.

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

The Authority's other deferred outflows and deferred inflows are a result of its participation in the pension plan (see Note 10) and derivatives (see Note 8).

Pension

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 New Jersey Public Employees' Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Derivative Instruments – Interest Rate Swap

The Authority entered into an interest rate swap agreement with a counterparty to hedge the interest rate exposure associated with variable-rate debt and reduce the overall borrowing costs. The swap is structured whereby the Authority pays a fixed interest rate to a counterparty in exchange for the same counterparty paying a variable interest rate to the Authority, 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 change in fair value of the hedging derivative is reported on the statements of net position, which equals the value of the corresponding swap.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Accounting Standards Issued But Not Yet Adopted

The GASB issued Statement No. 83, *Certain Asset Retirement Obligations*; Statement No. 84, *Fiduciary Activities*; Statement No. 87, *Leases*; Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*; Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; Statement No. 90, *Majority Equity interests-An Amendment of GASB Statements No. 14 and No. 61*; Statement No. 91, *Conduit Debt Obligations*; Statement No. 92, *Omnibus 2020*; Statement No. 93, *Replacement of Interbank Offered Rates*; Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*; Statement No. 96, *Subscription-Based Information Technology Arrangements*; and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*; Statement No. 98, *The Annual Comprehensive Financial Report*, which will require adoption in the future, if applicable. These statements may have a material effect on the Authority's financial statements once implemented.

The Authority will be analyzing the effects of these pronouncements and plans to adopt them, as applicable, by their effective dates.

Reclassifications

Certain line items in the December 31, 2018, financial statements have been reclassified to conform to the December 31, 2019, presentation.

NOTE 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.

NOTE 4 CASH, CASH EQUIVALENTS AND INVESTMENTS

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation, or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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NOTE 4. CASH, CASH EQUIVALENTS AND INVESTMENTS *(continued)*

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 demand deposit checking and savings accounts and money market funds with maturity dates of less than three months.

Investments include certificates of deposit with maturity dates of more than three months. Cash equivalents and investments are stated at cost, which approximates fair value. Cash deposits, cash equivalents, and investments were held by the Authority's Trustee in the Authority's name.

Custodial Credit Risk

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

Interest Rate Risk

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

Concentrations

The Authority's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from an overconcentration of assets.

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Notes to Financial Statements
Years Ended December 31, 2019 and 2018

NOTE 4 CASH, CASH EQUIVALENTS AND INVESTMENTS *(continued)*

Concentrations *(continued)*

The carrying amount of the Authority's cash, cash equivalents and investments at December 31, 2019 was \$22,271,367, which consisted of \$3,539,647 unrestricted cash, \$19,396,521 restricted cash and \$40,548 invested in certificates of deposit. As of December 2019 and 2018, the Authority's cash deposits were \$22,311,915 and \$40,485,739, respectively. The bank balances as of December 31, 2019 and 2018, were \$39,615,470 and \$39,615,470, respectively. As of December 31, 2019 and 2018, \$1,254,936 and \$1,246,383, respectively, was covered by federal depository insurance. The remaining bank balances were covered by GUDPA, N.J.S.A. 17:9-41, *et seq.*, for all New Jersey governmental units' deposits.

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 Association, or of any United States Bank for Cooperatives which have a maturity date not greater than 12 months from the date of purchase.
- (c) Bonds or other obligations of the New Jersey school district in which the Authority is located.
- (d) Bonds or other obligations having a maturity date of not more than 12 months from the date of purchase, which are approved by the New Jersey Department of Treasury, Division of Investments.
- (e) Qualified mutual funds with portfolios limited to (i) bonds or other obligations of, or guaranteed by, the United States of America; and (ii) repurchase agreements fully collateralized by such obligations. These investments must be transacted only through national or state banks located within New Jersey.

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Notes to Financial Statements
Years Ended December 31, 2019 and 2018

NOTE 4 CASH, CASH EQUIVALENTS AND INVESTMENTS *(continued)*

Investments *(continued)*

As of December 31, 2019 and 2018, the Authority's investments consisted of:

	<u>2019</u>	<u>2018</u>
Certificates of deposit	\$ 40,548	\$ 40,468

This certificate of deposit has a 12-month term, with an interest rate of 0.20%, and matures in 2020.

NOTE 5 CAPITAL ASSETS

Capital assets are reported at cost. The Authority depreciates capital assets using the straight-line method with useful lives ranging from 3 to 30 years. Capital asset activity for the years ended December 31, 2019 and 2018 was as follows:

	<u>January 1, 2019</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2019</u>
<i>Nondepreciable capital assets</i>				
Land	\$ 2,100,000	\$ -	\$ -	\$ 2,100,000
Construction in progress	2,459,824	16,991,179	-	19,451,003
Total nondepreciable capital assets	<u>4,559,824</u>	<u>16,991,179</u>	<u>-</u>	<u>21,551,003</u>
<i>Depreciable capital assets</i>				
Furniture and fixtures	72,670	-	-	72,670
Improvements	39,382	-	-	39,382
Meters	2,191,116	-	-	2,191,116
Office equipment	75,696	-	-	75,696
Vehicles	348,813	-	(16,645)	332,168
Total depreciable capital assets	<u>2,727,677</u>	<u>-</u>	<u>(16,645)</u>	<u>2,711,032</u>
Less: Accumulated depreciation and amortization	<u>1,602,344</u>	<u>193,231</u>	<u>(16,645)</u>	<u>1,778,930</u>
Total depreciable capital assets, net	<u>1,125,333</u>	<u>(193,231)</u>	<u>-</u>	<u>932,102</u>
Net capital assets	\$ 5,685,157	\$ 16,797,948	\$ -	\$ 22,483,105

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NOTE 5 CAPITAL ASSETS (continued)

	January 1, 2018	Additions	Deletions/ Transfers	December 31, 2018
<i>Nondepreciable capital assets</i>				
Land	\$ -	\$ 2,100,000	\$ -	\$ 2,100,000
Construction in progress	1,465,991	993,833	-	2,459,824
Total nondepreciable capital assets	1,465,991	3,093,833	-	4,559,824
<i>Depreciable capital assets</i>				
Furniture and fixtures	72,670	-	-	72,670
Improvements	39,382	-	-	39,382
Meters	1,988,795	202,321	-	2,191,116
Office equipment	75,696	-	-	75,696
Vehicles	344,563	29,625	(25,375)	348,813
Total depreciable capital assets	2,521,106	231,946	(25,375)	2,727,677
Less: Accumulated depreciation and amortization	1,426,744	198,712	(23,112)	1,602,344
Total depreciable capital assets, net	1,094,362	33,234	(2,263)	1,125,333
Net capital assets	\$ 2,560,353	\$ 3,127,067	\$ (2,263)	\$ 5,685,157

Depreciation and amortization expense for the years ended December 31, 2019 and 2018, was \$193,231 and \$198,712, respectively.

NOTE 6 LEASES AND SUBLEASE OF MILITARY PARKING GARAGE

On August 14, 1997, the City of Newark leased to the Authority the property known as the Military Parking Garage for a term of 50 years.

Under the terms of the lease, the Authority will pay to the City of Newark, each month, the basic rent which equals the City of Newark's debt service payments on the Redevelopment Bonds, which is approximately \$36,000 per month. In addition, the lease requires the Authority to pay the City of Newark 70% of the net profits as defined in the lease. The remaining 30% is retained by the Authority for operations. As of December 31, 2019 and 2018, the amount due to the City of Newark was \$141,183 and \$86,350, respectively, and total lease expense to the City of Newark for 2019 and 2018 was \$389,535 and \$342,285, respectively.

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NOTE 6 LEASES AND SUBLEASE OF MILITARY PARKING GARAGE *(continued)*

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

In July 2016, the sublease was amended, whereas the NJPAC secured a \$3,321,000 loan. Of this loan, \$2,321,000 was for the retirement of the City of Newark's Redevelopment Bonds, with the remaining \$1,000,000 to be used to finance the Renovation Project. The term of the loan is 10 years and the debt service will be considered an operating expense of the NJPAC for the duration of the loan.

The net profits paid to the Authority by the NJPAC were \$556,479 and \$488,979 for the years ended December 31, 2019 and 2018, respectively. Of the net profits paid to the Authority, 70% was remitted to the City of Newark, which amounted to \$389,535 and \$342,285 for the years ended December 31, 2019 and 2018, respectively.

NOTE 7 LONG-TERM DEBT

Parking Meter Bond

Upon execution of the inter-local agreement and transfer of certain parking assets (parking meters) on August 6, 2008, the Authority became liable to make payments to the City of Newark for Bond Anticipation Notes issued in the amount of \$1,425,000. The notes, originally issued on January 24, 2008, matured on January 23, 2009, and were renewed through January 20, 2010. Upon maturity, the debt service payments of the notes were negotiated and repayments began on June 1, 2011, with final payment due on June 1, 2020.

Principal repayments of \$142,500 for 10 years are due until maturity. The notes bear interest of 5.00%. Interest expense for each the years ended December 31, 2019 and 2018, amounted to \$14,250. Future debt service payments on the note include principal payments of \$142,500 in 2020 and interest payments of \$7,125 in 2020.

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NOTE 7 LONG-TERM DEBT *(continued)*

Bond Series 2010 and 2018

The City of Newark permanently funded the Series 2010 Notes with the issuance of the Series 2010A Bonds dated June 9, 2010. Regardless of the City of Newark's permanent financing of the Series 2010 Notes, the negotiated repayment terms have remained unchanged.

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.

Interest on the bonds is payable monthly using variable interest rates reset on a monthly basis based on the London Interbank Offered Rate (LIBOR). At December 31, 2019, the variable interest rate payable was 3.0224%.

Swap Payments and Associated Debt

Net swap payments and related debt service requirements subsequent to December 31, 2019, assuming current interest rates remain the same for the term of the agreement, are as follows:

<u>Year Ending December 31</u>	<u>Principal Maturities</u>	<u>Interest</u>	<u>Hedging Derivative</u>	<u>Total</u>
2020	\$ 401,327	\$ 1,377,206	\$ 140,685	\$ 1,919,218
2021	718,882	1,362,422	139,175	2,220,479
2022	749,039	1,335,941	136,470	2,221,450
2023	780,461	1,308,349	133,651	2,222,461
2024-2028	4,493,271	6,086,240	621,727	11,201,238
2029-2033	5,345,573	5,198,736	-	10,544,309
2034-2038	6,663,151	4,115,082	-	10,778,233
2039-2043	8,183,637	2,780,481	-	10,964,118
2044-2048	10,051,159	1,141,259	-	11,192,418
	<u>\$ 37,386,500</u>	<u>\$ 24,705,716</u>	<u>\$ 1,171,708</u>	<u>\$ 63,263,924</u>

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NOTE 7 LONG-TERM DEBT *(continued)*

Debt Service Requirements

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

The Authority is leasing pay and display meters totaling \$172,797 under capital leases. The following is a schedule of future minimum lease payments under these capital leases and the present value of the net minimum lease payments as of December 31, 2019:

2020	\$	44,763
2021		44,762
2022		44,762
2023		<u>7,460</u>
Total minimum lease payments		141,747
Less: Amount representing interest		<u>21,065</u>
Present value of net minimum lease payments	\$	<u>120,682</u>

NOTE 8 HEDGING DERIVATIVE INSTRUMENTS – 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 this criteria, the Authority’s derivative is considered a hedging derivative.

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

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NOTE 8 HEDGING DERIVATIVE INSTRUMENTS – INTEREST RATE SWAP *(continued)*

Since interest rates have generally decreased since the swap became effective, the Authority’s portfolio of swaps had a negative fair value at December 31, 2019.

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.

The fair value and notional amount of the derivative instrument outstanding at December 31, 2019 and 2018, and the changes in fair value of the derivative instrument for the years then ended as reported in the 2019 and 2018 financial statements are as follows:

	December 31,	Changes in Fair Value		At December 31, 2019		Notional
	2018	Classification	Amount	Classification	Amount	
Cash flow hedges						
Pay-fixed interest rate swap	\$ (1,060,077)	Deferred (outflows)/inflows	\$ (2,007,569)	Noncurrent liabilities	\$ (3,067,646)	\$ -

The terms and other information respective of the Authority’s hedging derivative instrument outstanding at December 31, 2019, are detailed as follows:

Bond Series	Effective Date	Maturity Date	Rate Paid	Variable-Rate Received*	Notional Amount	Counterparty	Moody’s/ S&P	2019 Fair Value
2019 Parking Revenue Bond	December 21, 2018	December 20, 2048	0.00%	81.5% of 1-month LIBOR plus 163 basis points	\$0	TD Bank	Aa1/AA-	\$37,386,500

*Variable-rate interest was 3.0224% at December 31, 2019.

Credit Risk

At December 31, 2019, the Authority’s hedging derivative was not exposed to credit risk. The Authority’s swap relies upon the performance of the counterparty. If the interest rate rises and the total fair value of the swap with the counterparty become positive, the Authority may be exposed to credit risk on the agreement – the risk that the counterparty fails to perform according to contractual obligations.

Basis Risk and Interest Rate Risk

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

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NOTE 8 HEDGING DERIVATIVE INSTRUMENTS – INTEREST RATE SWAP *(continued)*

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 December 20, 2048, and the swap termination date is December 20, 2028.

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.

NOTE 9 LONG-TERM LIABILITIES

The tables below summarize the total additions and total reductions in long-term liabilities during fiscal years 2019 and 2018.

	Balance at January 1, 2019	Additions	Reductions	Balance at December 31, 2019	Current Portion
Bonds and notes payable	\$ 37,844,298	\$ -	\$ (178,672)	\$ 37,665,626	\$ 142,500
Total	\$ 37,844,298	\$ -	\$ (178,672)	\$ 37,665,626	\$ 142,500
	Balance at January 1, 2018	Additions	Reductions	Balance at December 31, 2018	Current Portion
Bonds and notes payable	\$ 427,500	\$ 37,559,298	\$ (142,500)	\$ 37,844,298	\$ 178,670
Total	\$ 427,500	\$ 37,559,298	\$ (142,500)	\$ 37,844,298	\$ 178,670

NOTE 10 PENSION PLAN

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

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NOTE 10 PENSION PLAN *(continued)*

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55 of the 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 the 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.

PARKING AUTHORITY OF THE CITY OF NEWARK
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Notes to Financial Statements
Years Ended December 31, 2019 and 2018

NOTE 10 PENSION PLAN *(continued)*

Employer and Employee Contributions *(continued)*

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012, and will be adjusted by the rate of return on the actuarial value of assets. During the years ended December 31, 2019 and 2018, the PERS received employer and employee contributions from the Authority as follows:

	<u>2019</u>	<u>2018</u>
Employer contributions	\$ 265,700	\$ 259,903
Employee contributions	-	129,630
Salary basis for contributions	1,864,693	1,737,808
Employee contribution rate	7.50%	7.34% - 7.50%

In accordance with GASB No. 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, 2019 and 2018, 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, 2019 and 2018. At December 31, 2019 and 2018, the Authority's proportionate share and net pension liability was as follows:

	<u>2019</u>	<u>2018</u>
Local share PERS net pension liability	\$ 18,143,832,135	\$ 19,689,501,539
Authority net pension liability	4,921,851	5,144,746
Authority's proportion	0.0273155665%	0.0261293889%

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NOTE 10 PENSION PLAN *(continued)*

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

Pension expense, net is comprised of the following:

	<u>2019</u>	<u>2018</u>
Proportionate share of allocable plan pension expense	\$ 228,186	\$ 285,200
Net amortization of deferral amounts from changes in proportion	340,025	288,454
Other changes	<u>-</u>	<u>-</u>
Total employer pension expense, excluding that attributable to employer-paid member contributions	<u>\$ 568,211</u>	<u>\$ 573,654</u>

At December 31, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS as follows:

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

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Notes to Financial Statements
Years Ended December 31, 2019 and 2018

NOTE 10 PENSION PLAN *(continued)*

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions *(continued)*

	2018	
	<u>Deferred Outflows of of Resources</u>	<u>Deferred Inflows of of Resources</u>
Change of assumptions	\$ 847,769	\$ 1,645,016
Net difference between projected and actual earnings on pension plan investments	-	48,258
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	865,410	128,590
Net difference between projected and actual experience	<u>98,111</u>	<u>26,528</u>
	<u>\$ 1,811,290</u>	<u>\$ 1,848,392</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending December 31:</u>	<u>Authority Share</u>
2020	\$ 74,560
2021	(317,892)
2022	(254,758)
2023	(63,669)
2024	<u>(749)</u>
	<u>\$ (562,508)</u>

PARKING AUTHORITY OF THE CITY OF NEWARK
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Notes to Financial Statements
Years Ended December 31, 2019 and 2018

NOTE 10 PENSION PLAN *(continued)*

Actuarial Assumptions

The collective total pension liability in the June 30, 2019 and 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2019</u>	<u>2018</u>
Inflation rate	2.75%	2.25%
Salary increases thru 2026	2.00%-6.00%	1.65%-4.15%
	based on age	based on age
Thereafter	3.00%-7.00%	2.65%-5.15%
	based on age	based on age
Investment rate of return	7.00%	7.00%

Preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back two years for males and seven years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's Conduent Modified MP-2014 Projection Scale. Postretirement mortality rates were based on RP-2000 Combined Healthy Male and Female Mortality Tables (set back one year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013, using Projection Scale AA and a generational approach based on the Conduent 2014 Projection Scale thereafter. Disability retirement rates used to value disable retirees were based on the RP-2000 Disabled Mortality Table (set back three years for males and set forward 1 year for females).

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments 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's target asset allocation as of June 30, 2019, are summarized in the following table:

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Notes to Financial Statements
Years Ended December 31, 2019 and 2018

NOTE 10 PENSION PLAN *(continued)*

Long-Term Expected Rate of Return *(continued)*

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	3.00%	4.67%
Cash	5.00%	2.00%
U.S. treasuries	5.00%	2.68%
Investment-grade credits	10.00%	4.25%
Public high yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Private real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S.-developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Buyouts/Venture capital	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 6.28% and 5.66% as of June 30, 2019 and 2018, respectively. This single-blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.00%, and a municipal bond rate of 3.50% and 3.87% as of June 30, 2019 and 2018, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The state employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

PARKING AUTHORITY OF THE CITY OF NEWARK
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Notes to Financial Statements
Years Ended December 31, 2019 and 2018

NOTE 10 PENSION PLAN *(continued)*

Discount Rate *(continued)*

The following presents the Authority's proportionate share of the collective net pension liability measured as of June 30, 2019 and 2018, calculated using the discount rate as disclosed above as well as what the Authority's proportionate share of the net pension liability 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:

Sensitivity of the Authority's Proportionate Share of the PERS Local Share Net Pension Liability to Changes in the Discount Rate

	2019		
	<u>At 1% Decrease 5.28%</u>	<u>At Current Discount 6.28%</u>	<u>At 1% Increase 7.28%</u>
Authority's proportionate share of the net pension liability	\$ 6,260,348	\$ 4,921,851	\$ 3,857,069
	2018		
	<u>At 1% Decrease 4.66%</u>	<u>At Current Discount Rate 5.66%</u>	<u>At 1% Increase 6.66%</u>
Authority's proportionate share of the net pension liability	\$ 6,468,926	\$ 5,144,746	\$ 4,033,845

NOTE 11 COMMITMENTS AND CONTINGENCIES

The Authority leases office space under operating leases. The office lease is a non-cancellable lease that was renewed on December 23, 2014, for a period of five years. Rent expense for the years ended December 31, 2019 and 2018, amounted to \$198,728 and \$198,728, respectively.

Litigation

In the normal course of business, the Authority is involved in certain legal matters. The Authority is currently involved in three litigation matters, and received one notice of claims, all of which pertain to contract disputes. With regard to the notice of claim, if the matter is ever litigated, management believes it is adequately covered by insurance. No liabilities have been recorded as the outcome of these matters remains uncertain.

PARKING AUTHORITY OF THE CITY OF NEWARK
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Notes to Financial Statements
Years Ended December 31, 2019 and 2018

NOTE 11 COMMITMENTS AND CONTINGENCIES *(continued)*

Construction

As of December 31, 2019, the Authority had entered into construction contracts totaling \$33,897,806, of which \$17,276,562 was still outstanding.



REQUIRED SUPPLEMENTARY INFORMATION

PARKING AUTHORITY OF THE CITY OF NEWARK
(A Component Unit of the City of Newark, New Jersey)
Schedule of the Authority's Proportionate Share of the Net Pension Liability – PERS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability	0.0273155665%	0.0261293889%	0.0237045133%	0.0233373856%	0.0247405062%	0.2067612000%
Authority's proportionate share of the net pension liability	\$ 4,956,091	\$ 5,144,746	\$ 5,518,032	\$ 6,911,864	\$ 5,553,748	\$ 3,871,136
Authority's covered payroll	\$ 1,864,693	\$ 1,737,808	\$ 1,784,411	\$ 1,609,229	\$ 1,554,013	\$ 1,512,623
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	265.79%	296.05%	309.24%	429.51%	357.38%	255.92%
Plan fiduciary net position as a percentage of the total pension liability	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%

The amounts presented for each year were determined as of the measurement date (June 30) that occurred within the Authority's fiscal year.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

PARKING AUTHORITY OF THE CITY OF NEWARK
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Notes to Required Supplementary Information
Year Ended December 31, 2019

Benefit Changes

None.

Changes of Assumptions

The discount rate changed to 6.28% as of June 30, 2019, from 5.66% as of June 30, 2018.

PARKING AUTHORITY OF THE CITY OF NEWARK
(A Component Unit of the City of Newark, New Jersey)
Schedule of the Authority's Contributions – PERS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Contractually required contributions</i>						
Regular pension and non-contributory group insurance contributions	\$ 268,482	\$ 248,085	\$ 228,617	\$ 207,326	\$ 212,702	\$ 170,451
Chapter 19 P.L. 2009 contribution	733	727	723	714	706	702
	269,215	248,812	229,340	208,040	213,408	171,153
Contributions in relation to the contractually required contribution	<u>(269,215)</u>	<u>(248,812)</u>	<u>(229,340)</u>	<u>(208,040)</u>	<u>(213,408)</u>	<u>(171,153)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Percent of base wages	7.50%	7.34%-7.50%	7.20%-7.34%	7.06%-7.20%	6.92%-7.06%	6.78%-6.92%
Authority's covered payroll	\$ 1,864,693	\$ 1,737,808	\$ 1,784,411	\$ 1,609,229	\$ 1,554,013	\$ 1,512,623
Contributions as a percentage of the Authority's covered payroll	14.25%	14.32%	12.31%	12.93%	13.73%	11.31%

The amounts presented for each year were determined as of the Authority's most recent fiscal year end (December 31).

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is provided for those years for which information is available.

SUPPLEMENTARY INFORMATION

PARKING AUTHORITY OF THE CITY OF NEWARK
(A Component Unit of the City of Newark, New Jersey)
Roster of Officials
Year Ended December 31, 2019

Board of Commissioners

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

Position

Acting Chairperson
Treasurer
Secretary
Commissioner
Commissioner
Commissioner
Commissioner

Other Officials

Anthony C. Mack, Esq.
Gabriela Santos

Position

Executive Director
Manager of Fiscal Operations

PARKING AUTHORITY OF THE CITY OF NEWARK
(A Component Unit of the City of Newark, New Jersey)
Miscellaneous Statistics
Year Ended December 31, 2019

Form of Government

Authority

Number of employees
Number of parking spaces Military Parking Garage
Number of parking meter spaces

