

PARKING AUTHORITY OF CITY OF TRENTON

(A Component Unit of The City of Trenton, New Jersey)

Basic Financial Statements
and
Supplementary Information

June 30, 2012 and 2011

PARKING AUTHORITY OF CITY OF TRENTON

(A Component Unit of The City of Trenton, New Jersey)

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INDEPENDENT AUDITORS' REPORT

To the Commissioners of
Parking Authority of City of Trenton
(A Component Unit of The City of Trenton, State of New Jersey)

We have audited the accompanying basic financial statements of the business type activities of the Parking Authority of City of Trenton (the "Authority") (a Component Unit of the City of Trenton, State of New Jersey) as of June 30, 2012 and 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2012 and 2011, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-6 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Our audits were conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Authority's financial statements. The supplementary information is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Mercaderia, P.C.
Certified Public Accountants

September 27, 2012

PARKING AUTHORITY OF CITY OF TRENTON

(A Component Unit of the City of Trenton, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual basic financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Authority is a self-supporting entity and follows enterprise fund accounting. The enterprise fund concept is similar to the manner in which private business enterprises are financed and operated. The Authority presents its basic financial statements on the accrual basis of accounting. The statements offer short and long-term financial information about the activities and operations of the Authority. The intent is that the costs of providing access to parking facilities on a continuing basis are financed primarily through parking revenue. The Authority has established certain restricted "funds and accounts," as directed by internal resolution and bond indentures. In an effort to ensure compliance with the Authority's by-laws and to safeguard its assets, internal controls have been developed and implemented by management. These internal controls include policies, procedures, approved organizational structures and approved budgets for capital and operating expenditures. Visit the City of Trenton's website at www.Trentonnj.org for more information regarding the Authority's parking activity and management contact information.

Financial Highlights

Cash and cash equivalents as of June 30, 2012, were \$3,287,233, a decrease of 26.70%, from the balance as of June 30, 2011.

Total liabilities as of June 30, 2012, were \$32,296,783, a decrease of 3.19%, from the balance as of June 30, 2011. The Authority repaid \$987,291 in debt during the fiscal year ended June 30, 2012.

Total revenues were below budget by \$649,425 primarily due to a decrease in parking revenue by approximately 6% and decrease in rental income by approximately 7%. This led to a decrease in net assets of \$562,627.

Financial Analysis of the Authority

The Authority's total net assets were approximately \$3.6 million as of June 30, 2012. In fiscal year 2012, total assets decreased approximately 4% to \$35.9 million, and total liabilities decreased approximately 3% to \$32.3 million. Total net assets as of June 30, 2011, were approximately \$4.1 million. Total assets that year decreased approximately 3% to \$37.5 million, and total liabilities decreased approximately 2% to \$33.4 million. Changes in assets, liabilities and net assets between June 30, 2012, 2011 and 2010, are summarized as follows:

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Authority (Continued)

	June 30, 2012	June 30, 2011	June 30, 2010	Percentage Change 2012-2011
Current Assets	\$ 6,416,564	\$ 7,654,822	\$ 8,162,042	(16)
Capital assets, net	28,637,919	29,018,713	29,630,667	(1)
Other assets	<u>827,455</u>	<u>835,955</u>	<u>851,617</u>	(1)
Total Assets	<u>35,881,938</u>	<u>37,509,490</u>	<u>38,644,326</u>	(4)
Long-term debt	30,778,263	31,778,006	32,765,248	(3)
Other liabilities	<u>1,518,520</u>	<u>1,583,701</u>	<u>1,461,882</u>	(4)
Total Liabilities	<u>32,296,783</u>	<u>33,361,707</u>	<u>34,227,130</u>	(3)
Net Assets				
Restricted for				
Debt Service	3,320,084	3,793,018	3,871,847	(12)
Renewal and				
Replacement	1,068,508	1,500,172	172	(29)
Other	77,228	142,513	159,411	(46)
(Deficit) Unrestricted	<u>(880,665)</u>	<u>(1,287,920)</u>	<u>385,766</u>	(32)
Total Net Assets	<u>\$ 3,585,155</u>	<u>\$ 4,147,783</u>	<u>\$ 4,417,196</u>	(14)

Operating Activities

The Authority operates four parking garages in the City of Trenton: Broad and Front, Warren Street, Trenton Marriott (Lafayette Yard) and Liberty Commons. They also operate two surface lots, which are located on Merchant Street and next to the Warren Street garage. User fees are generated from monthly passes and daily parkers. Rates are set by the Authority's Board of Commissioners.

The Authority's total parking revenue for fiscal year 2012 was \$3.508 million, a decrease of 6% over fiscal year 2011. The Authority's total operating expenses for fiscal year 2012 were \$2.58 million, an increase of 4% from fiscal year 2011. The Authority's total parking revenue for fiscal year 2011 was \$3.748 million, an increase of 1% from fiscal year 2010. The Authority's total operating expenses for fiscal year 2011 were \$2.47 million, a decrease of 6% from fiscal year 2010. The following table summarizes the changes in revenue, expenses and net assets between the fiscal years of 2012, 2011 and 2010.

In July 2012, the Authority closed its Broad and Front garage and relocated all parkers to its other garages.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating Activities (Continued)

	<u>Year Ended</u>			Percentage Change 2012-2011
	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	
Operating Revenues:				
Parking Revenue	\$ 3,508,353	\$ 3,747,628	\$ 3,722,268	(6)
Other Revenue	<u>61,617</u>	<u>37,223</u>	<u>61,520</u>	66
Total Operating Revenues	3,569,970	3,784,851	3,783,788	(6)
Non-Operating Revenues				
Interest Income	<u>81,281</u>	<u>81,314</u>	<u>87,681</u>	-
Total Revenues	<u>3,651,251</u>	<u>3,866,165</u>	<u>3,871,469</u>	(6)
Operating Expenses:				
Payroll and Fringe Benefits	843,640	764,956	722,366	10
Depreciation and Amortization	884,764	869,257	1,066,299	2
Other Operating Expenses	<u>847,204</u>	<u>839,619</u>	<u>844,523</u>	1
Total Operating Expenses	<u>2,575,608</u>	<u>2,473,832</u>	<u>2,633,188</u>	4
Non-Operating Expenses				
Interest Expense	<u>1,601,767</u>	<u>1,645,425</u>	<u>1,690,114</u>	(3)
Total Expenses	<u>4,177,375</u>	<u>4,119,257</u>	<u>4,323,302</u>	1
Change in Net Assets	(562,628)	(269,413)	(451,833)	109
Net Assets, Beginning of Year	<u>4,147,783</u>	<u>4,417,196</u>	<u>4,869,029</u>	(6)
Net Assets, End of Year	<u>\$ 3,585,155</u>	<u>\$ 4,147,783</u>	<u>\$ 4,417,196</u>	(14)

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Assets and Debt Administration

At June 30, 2012, the Authority had a total of \$36,378,183 invested in property and equipment relating primarily to its parking facilities. The total represents a 1% increase from last year. The following table summarizes the changes in capital assets, net of depreciation, between the fiscal years 2012, 2011 and 2010.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change 2012-2011</u>
Land	\$ 1,788,122	\$ 1,788,122	\$ 1,788,122	0
Buildings	30,441,405	30,441,405	30,441,405	0
Improvements	4,016,572	3,639,835	3,449,852	10
Furniture and Fixtures	98,428	15,136	15,416	550
Automotive Equipment	<u>33,656</u>	<u>33,656</u>	<u>33,115</u>	0
	36,378,183	35,918,154	35,727,910	1
Less: Accumulated Depreciation	<u>(7,740,264)</u>	<u>(6,899,441)</u>	<u>(6,097,243)</u>	12
Total Capital Assets, Net	<u>\$ 28,637,919</u>	<u>\$ 29,018,713</u>	<u>\$ 29,630,667</u>	(1)

More detailed information about the Authority's capital assets is presented in Note E of the financial statements.

The following table summarizes the changes in capital debt between the fiscal year 2012, 2011 and 2010:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change 2012-2011</u>
Bonds Payable	<u>\$ 31,785,549</u>	<u>\$ 32,748,644</u>	<u>\$ 33,647,546</u>	(3)

More detailed information about the Authority's bonds payable is presented in Note F of the financial statements.

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BALANCE SHEETS

	June 30.	
	2012	2011
ASSETS		
Current Unrestricted Assets		
Cash and cash equivalents	\$ 477,032	\$ 704,544
Investments	1,285,427	1,288,009
Accounts receivable, net of allowance for doubtful accounts of \$138,050 in 2012 and \$67,250 in 2011	118,296	161,431
Accrued interest receivable	20,347	20,017
Prepaid expenses	49,642	45,118
Total Current Unrestricted Assets	1,950,744	2,219,119
Restricted Assets		
Cash and cash equivalents		
Construction fund	-	65,285
Current debt service account	426,213	980,098
Reserve account	1,238,252	1,157,086
Renewal and replacement account	1,068,508	1,500,172
Rebate fund	77,228	77,228
	2,810,201	3,779,869
Investments in debt securities - reserve account	1,655,619	1,655,834
Total Restricted Assets	4,465,820	5,435,703
Property and Equipment	28,637,919	29,018,713
Construction Advances	70,784	42,886
Amortizable Bond Issuance Costs	756,671	793,069
Total Assets	\$ 35,881,938	\$ 37,509,490

PARKING AUTHORITY OF CITY OF TRENTON
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BALANCE SHEETS

	June 30,	
	2012	2011
LIABILITIES AND NET ASSETS		
Current Liabilities Payable from Unrestricted Assets		
Accounts payable	\$ 45,628	\$ 119,816
Accrued liabilities	49,696	44,221
Deferred revenue	5,559	10,270
Total Current Liabilities Payable from Unrestricted Assets	100,883	174,307
Current Liabilities Payable from Restricted Assets		
Bonds payable - current portion	1,007,287	970,638
Garage debt - current portion	16,552	33,205
Accrued interest payable on bonds	393,798	405,551
Total Current Liabilities Payable from Restricted Assets	1,417,637	1,409,394
Long-Term Portion of Bonds Payable	30,778,263	31,778,006
Total Liabilities	32,296,783	33,361,707
Net Assets		
Restricted for:		
Debt Service	3,320,084	3,793,018
Renewal and Replacement	1,068,508	1,500,172
Other	77,228	142,513
(Deficit) Unrestricted	(880,665)	(1,287,920)
Total Net Assets	3,585,155	4,147,783
Total Liabilities and Net Assets	\$ 35,881,938	\$ 37,509,490

PARKING AUTHORITY OF CITY OF TRENTON

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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended June 30,	
	2012	2011*
Revenues		
Parking revenues	\$ 3,508,353	\$ 3,747,628
Rental income	26,567	28,506
Interest income	35,050	8,717
Unrealized loss from investments	(36,504)	(16,321)
Total revenues	3,533,466	3,768,530
Operating expenses		
General and administrative	1,690,844	1,604,575
Depreciation and amortization	884,764	869,257
Total operating expenses	2,575,608	2,473,832
Operating income	957,858	1,294,698
Non-operating revenues (expenses)		
Interest income	81,281	81,314
Interest expense	(1,601,767)	(1,645,425)
Total non-operating expenses	(1,520,486)	(1,564,111)
Change in net assets	(562,628)	(269,413)
Net assets, beginning of year	4,147,783	4,417,196
Net assets, end of year	\$ 3,585,155	\$ 4,147,783

*Some numbers have been reclassified to match current year presentation.

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STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2012	2011
Cash Flows from Operating Activities		
Parking revenue	\$ 3,546,777	\$ 3,647,678
Rental income	26,567	28,506
Investment return	799	8,881
General and administrative expenses	<u>(1,764,081)</u>	<u>(1,549,556)</u>
Net cash provided by operating activities	<u>1,810,062</u>	<u>2,135,509</u>
Cash Flows from Investing Activities		
Non-operating interest income	81,496	64,993
Purchase of investments, net	<u>-</u>	<u>(1,288,009)</u>
Net cash (used in) provided by investing activities	<u>81,496</u>	<u>(1,223,016)</u>
Cash Flows from Capital and Related Financing Activities		
Repayment of borrowings	(987,291)	(906,545)
Purchases of property and equipment (net)	(460,029)	(213,546)
Non-operating interest expense	(1,613,520)	(1,655,403)
Construction advances	<u>(27,898)</u>	<u>(20,736)</u>
Net cash used in financing activities	<u>(3,088,738)</u>	<u>(2,796,230)</u>
Net decrease in cash and cash equivalents	(1,197,180)	(1,883,737)
Cash and cash equivalents, beginning of year	<u>4,484,413</u>	<u>6,368,150</u>
Cash and cash equivalents, end of year	<u>\$ 3,287,233</u>	<u>\$ 4,484,413</u>
Cash and cash equivalents, unrestricted	\$ 477,032	\$ 704,544
Cash and cash equivalents, restricted	<u>2,810,201</u>	<u>3,779,869</u>
	<u>\$ 3,287,233</u>	<u>\$ 4,484,413</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 957,858	\$ 1,294,698
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	840,823	825,316
Amortization	43,941	43,941
Changes in current assets and liabilities		
Accounts receivable	43,135	(104,766)
Prepaid expenses and deposits	(4,524)	16,591
Accrued interest receivable	(330)	164
Accounts payable	(74,188)	26,462
Accrued liabilities	5,476	11,966
Deferred revenue	(4,711)	4,816
Investments	<u>2,582</u>	<u>16,321</u>
Net cash provided by operating activities	<u>\$ 1,810,062</u>	<u>\$ 2,135,509</u>

PARKING AUTHORITY OF CITY OF TRENTON

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NOTES TO BASIC FINANCIAL STATEMENTS

A. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Parking Authority of City of Trenton (the "Authority") was created to construct and operate parking facilities to serve the municipality of Trenton, New Jersey. The Authority collects its revenues from users of the facilities. The Authority is a component unit of the City of Trenton, New Jersey (the "City"), since it is financially accountable to the City.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America applicable to governmental proprietary-type funds. Revenues are recognized when earned, and expenses are recognized when incurred.

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board ("GASB") and other entities that promulgate accounting principles. Per GASB Statement 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, priority is established as to which source of accounting principles to utilize in determining proper accounting treatment. The hierarchy is as follows: GASB Statements and Interpretations; GASB Technical Bulletins; American Institute of Certified Public Accountants ("AICPA") Industry Audit and Accounting Guides and AICPA Statements of Position, if applicable, and cleared by GASB; AICPA Practice Bulletins, if applicable, and cleared by GASB; Implementation Guides published by the Financial Accounting Standards Board ("FASB"); AICPA pronouncements that are not specially applicable to state and governmental entities; FASB Statements and Interpretations; and Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee of Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Operating Revenues and Expenses

The Authority's operating revenues consist of parking revenues, rental income and interest earned on unrestricted cash and investments. Operating expenses consist of costs related to parking service. All other revenues and expenses are reported as non-operating revenues and expenses.

Cash Equivalents

For the purpose of the statements of cash flows, cash equivalents are all highly liquid securities with original maturities of three months or less.

Accounts Receivable, Net of Allowance for Doubtful Accounts

The Authority evaluates all accounts receivable on an annual basis. An allowance for doubtful accounts is set up by charging net income. Amounts are charged against the allowance for uncollectibles when management believes that collectibility of some receivables is uncertain.

PARKING AUTHORITY OF CITY OF TRENTON

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NOTES TO BASIC FINANCIAL STATEMENTS

**A. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property and Equipment and Depreciation

Property and equipment is stated at cost and is depreciated for financial reporting purposes on a straight-line basis over the estimated useful lives of the assets: 25-50 years for buildings, 10-30 years for improvements, 5-15 years for furniture and fixtures, and 5 years for automotive equipment. Repairs and maintenance expenditures which do not extend the useful lives of the related assets are expensed as incurred.

Bond Issuance Costs

Bond issuance costs are being amortized on the straight-line method over the lives of the respective bonds. Amortization charged to operations for each of the years ended June 30, 2012 and 2011, was \$36,398.

Income Taxes

As a public body, the Authority is exempt from both federal and state income taxes under existing statute.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Unemployment Trust Fund

The State Unemployment Compensation Fund is reimbursed out of current operating income as needed for benefits paid to former employees.

Restricted Accounts

In accordance with the bond resolutions and trust agreements, the Authority has established various funds:

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Construction fund	Withdrawals only.	Authorized draws for construction advances for the Liberty Commons project.
Current debt service account	Amounts needed for accrued bond interest and principal due in the next succeeding fiscal year, as if such principal amounts accrued evenly throughout the year.	Interest and principal payments due on October 1 and April 1.

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NOTES TO BASIC FINANCIAL STATEMENTS

**A. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Reserve account	Amounts needed for maximum annual debt service.	Interest and principal payments not funded by current debt service accounts.
Renewal and replacement account	Withdrawals. Deposits by resolution only.	Authorized draws for costs and unusual or extraordinary maintenance or repairs, renewal and replacement of equipment, the acquisition of capital additions or improvements.
Rebate fund	Withdrawals only.	Required draws for rebatable arbitrage.

Other Post Employment Benefits ("OPEB") Other than Pensions

On July 1, 2007, the Authority implemented GASB Number 45, which covers accounting and financial reporting requirements for government employers which provide post employment benefits other than pensions. Since the Authority participates in a multiple-employer cost-sharing plan ("Public Employees' Retirement System" ("PERS")), the Authority's portion of this liability and cost is calculated and recorded at the State of New Jersey level and included in the state's Comprehensive Annual Financial Report. The Authority records OPEB expense based on billings from the State PERS. Required financial statement disclosure requirements are included in Note K of these audited financial statements.

Net Assets

Restricted

Amounts are restricted for debt service, renewal and replacement and other charges as required per bond resolution.

Unrestricted

The unrestricted net assets represent resources available for current operating expenses net of capital assets and related debt.

	<u>2012</u>	<u>2011</u>
Invested in capital assets, net of related debt	\$ (2,730,526)	\$ (3,332,732)
Unrestricted net assets	<u>1,849,861</u>	<u>2,044,812</u>
(Deficit) Unrestricted	<u>\$ (880,665)</u>	<u>\$ (1,287,920)</u>

Rounding

Some schedules in the financial statements may have dollar differences due to rounding adjustments.

PARKING AUTHORITY OF CITY OF TRENTON

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NOTES TO BASIC FINANCIAL STATEMENTS

B. CREDIT RISK AND CUSTODIAL CREDIT RISK

The Authority's cash and cash equivalent and investment accounts are insured or collateralized as follows:

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
Insured by Federal Deposit Insurance Corporation ("FDIC")	<u>\$ 849,878</u>	<u>\$ 750,000</u>

The Authority maintains cash in bank balances which may exceed federally insured limits. They historically have not experienced any related cash in bank losses.

C. CONCENTRATION OF RISK

Revenues collected from the State of New Jersey were 45% and 42% for the years ended June 30, 2012 and 2011, respectively. A substantial decrease in these revenues could have a material effect on the operations of the Authority.

D. INVESTMENTS

Investments consist of treasury obligations and taxable bonds. These investments are held by the Authority's custodial agent in an account for the Authority and are included in Restricted Assets on the balance sheets. Unrestricted investments are held by the Authority's investment advisors and are carried at fair value.

Fair Value Measurements

The Authority follows the Fair Value Measurements Topic of the FASB Accounting Standards Codification, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America.

As defined in the Fair Value Measurements Topic of the FASB Accounting Standards Codification, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Authority uses the stock market index approach. Based on this approach, the Authority often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Authority utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Authority is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

PARKING AUTHORITY OF CITY OF TRENTON

(A Component Unit of the City of Trenton, New Jersey)

NOTES TO BASIC FINANCIAL STATEMENTS

D. INVESTMENTS (CONTINUED)

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Investments

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Fair Value on a Recurring Basis

The table below presents the balances of investments measured at fair value on the balance sheets as of June 30, 2012 and 2011:

	June 30, 2012			
	Total	Level 1	Level 2	Level 3
Available for sale securities	\$2,941,046	\$2,941,046	\$ -	\$ -
Total	\$2,941,046	\$2,941,046	\$ -	\$ -
	June 30, 2011			
	Total	Level 1	Level 2	Level 3
Available for sale securities	\$2,943,843	\$2,943,843	\$ -	\$ -
Total	\$2,943,843	\$2,943,843	\$ -	\$ -

PARKING AUTHORITY OF CITY OF TRENTON

(A Component Unit of the City of Trenton, New Jersey)

NOTES TO BASIC FINANCIAL STATEMENTS

E. PROPERTY AND EQUIPMENT

Property and equipment for the years ended June 30, 2012 and 2011, consist of the following:

	June 30, 2011	Additions	Deletions	June 30, 2012
Land	\$ 1,788,122	\$ -	\$ -	\$ 1,788,122
Buildings	30,441,405	-	-	30,441,405
Improvements	3,639,835	376,737	-	4,016,572
Furniture and fixtures	15,136	83,292	-	98,428
Automotive equipment	<u>33,656</u>	<u>-</u>	<u>-</u>	<u>33,656</u>
Subtotal	35,918,154	460,029	-	36,378,183
Less accumulated depreciation	<u>6,899,441</u>	<u>840,823</u>	<u>-</u>	<u>7,740,264</u>
Total property and equipment	<u>\$ 29,018,713</u>	<u>\$ (380,794)</u>	<u>\$ -</u>	<u>\$ 28,637,919</u>

	June 30, 2010	Additions	Deletions	June 30, 2011
Land	\$ 1,788,122	\$ -	\$ -	\$ 1,788,122
Buildings	30,441,405	-	-	30,441,405
Improvements	3,449,852	191,470	1,487	3,639,835
Furniture and fixtures	15,416	5,920	6,200	15,136
Automotive equipment	<u>33,115</u>	<u>16,156</u>	<u>15,615</u>	<u>33,656</u>
Subtotal	35,727,910	213,546	23,302	35,918,154
Less accumulated depreciation	<u>6,097,243</u>	<u>825,316</u>	<u>23,118</u>	<u>6,899,441</u>
Total property and equipment	<u>\$ 29,630,667</u>	<u>\$ (611,770)</u>	<u>\$ 184</u>	<u>\$ 29,018,713</u>

Depreciation expense charged to operations was \$840,823 and \$825,316 for the years ended June 30, 2012 and 2011, respectively.

F. BONDS PAYABLE

The bonds are payable as to principal and interest from the fees, rentals or other charges derived by the Authority from the operation of its parking system and the full faith, credit and taxing power of the City of Trenton, New Jersey. The City guarantees the payment of the bonds. Additionally, the bonds have been insured to guarantee payment of principal and interest.

The bonds mature annually from April 1, 2005 through April 1, 2034.

Bond resolutions have been adopted by the Authority for the purpose of acquiring, constructing and making improvements to the parking facilities in the City. The following is a summary of revenue bonds outstanding:

PARKING AUTHORITY OF CITY OF TRENTON

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NOTES TO BASIC FINANCIAL STATEMENTS

F. BONDS PAYABLE (CONTINUED)

Series	Issue Date	Interest Rates	Amount of Original Issue
Parking Revenue Refunding (Series 2001)	10/5/01	4.00%- 5.25%	\$ 20,590,000
Parking Revenue (Series 2003)	12/15/03	2.00%- 4.50%	14,070,000
Parking Revenue (Series 2006)	3/7/06	5.26%- 5.50%	<u>4,520,000</u>
Total			<u>\$ 39,180,000</u>

Series	June 30, 2011	Additions	Deletions	June 30, 2012
Parking Revenue Refunding (Series 2001)	\$19,485,000	\$ -	\$ 645,000	\$ 18,840,000
Parking Revenue (Series 2003)	9,186,477	-	230,638	8,955,839
Parking Revenue (Series 2006)	4,245,000	-	95,000	4,150,000
Subtotal	<u>32,916,477</u>	-	<u>970,638</u>	<u>31,945,839</u>
Less deferred loss on defeasance (2006 Refunding)	<u>167,833</u>	-	<u>7,543</u>	<u>160,290</u>
Total	<u>32,748,644</u>	-	<u>963,095</u>	<u>31,785,549</u>
Less current portion	<u>970,638</u>	<u>1,007,287</u>	<u>970,638</u>	<u>1,007,287</u>
Bonds payable, net of current portion	<u>\$31,778,006</u>	<u>\$ (1,007,287)</u>	<u>\$ 7,543</u>	<u>\$ 30,778,262</u>

Series	June 30, 2010	Additions	Deletions	June 30, 2011
Parking Revenue (Series 2000)	\$ -	\$ -	\$ -	\$ -
Parking Revenue Refunding (Series 2001)	20,090,000	-	605,000	19,485,000
Parking Revenue (Series 2003)	9,402,922	-	216,445	9,186,477
Parking Revenue (Series 2006)	4,330,000	-	85,000	4,245,000
Subtotal	<u>33,822,922</u>	-	<u>906,445</u>	<u>32,916,477</u>
Less deferred loss on defeasance (2006 Refunding)	<u>175,376</u>	-	<u>7,543</u>	<u>167,833</u>
Total	<u>33,647,546</u>	-	<u>898,902</u>	<u>32,748,644</u>
Less current portion	<u>898,902</u>	<u>970,638</u>	<u>898,902</u>	<u>970,638</u>
Bonds payable, net of current portion	<u>\$ 32,748,644</u>	<u>\$ (970,638)</u>	<u>\$ -</u>	<u>\$ 31,778,006</u>

PARKING AUTHORITY OF CITY OF TRENTON

(A Component Unit of the City of Trenton, New Jersey)

NOTES TO BASIC FINANCIAL STATEMENTS

F. BONDS PAYABLE (CONTINUED)

Total maturities of bonds are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,007,287	\$ 1,566,713	\$ 2,574,000
2014	1,057,933	1,516,164	2,574,097
2015	1,118,483	1,461,491	2,579,974
2016	1,169,128	1,409,388	2,578,516
2017	1,223,321	1,352,900	2,576,221
2018 - 2022	7,049,665	5,813,460	12,863,125
2023 - 2027	9,031,747	3,833,795	12,865,542
2028 - 2032	8,238,826	1,408,491	9,647,317
2033 - 2034	1,889,159	94,532	1,983,691
Total	<u>\$ 31,785,549</u>	<u>\$ 18,456,934</u>	<u>\$ 50,242,483</u>

Refunding Bond Issues

In October 2001, the Authority issued \$20,590,000 in Parking Revenue Refunding Bonds to advance-refund the callable portion, \$18,400,000, of the \$21,000,000 of outstanding Parking Revenue Bonds (Series 2000). The net proceeds of \$20,178,324 (after payment of \$411,676 in underwriting fees, insurance and other issuance costs) were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all scheduled interest and principal payments on the Parking Revenue Bonds to and including April 1, 2010, with the option of redemption on April 1, 2010. The advance-refunding met with the requirement of an in-substance debt defeasance, and \$18,400,000 of the Parking Revenue Bonds were removed from the Authority's financial statements. In addition, the trust account assets are not included in the Authority's financial statements.

In March 2006, the Authority issued \$4,520,000 in Parking Revenue Refunding Bonds to advance-refund the callable portion, \$4,075,000, of the \$14,035,000 of outstanding Series 2003 Parking Revenue Bonds of the Authority used to construct the Liberty Commons facility. The net proceeds of \$4,169,516 (after payment of \$350,484 in underwriting fees, insurance and other issuance costs, as well as a \$347,225 deposit to the Bond Reserve Fund) were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all scheduled interest and principal payments on the Series 2003 Parking Revenue Bonds to and including October 1, 2033. The portion of the bonds maturing on or after October 1, 2017, is subject to redemption on or after October 1, 2016, and the bonds maturing on October 1, 2026 and October 1, 2033, are subject to mandatory sinking fund redemption. The advance-refunding met with the requirement of an in-substance debt defeasance, \$4,075,000 of the Series 2003 Parking Revenue Bonds were removed from the Authority's financial statements. In addition, the trust account assets are not included in the Authority's financial statements.

PARKING AUTHORITY OF CITY OF TRENTON

(A Component Unit of the City of Trenton, New Jersey)

NOTES TO BASIC FINANCIAL STATEMENTS

F. BONDS PAYABLE (CONTINUED)

Refunding Bond Issues (Continued)

As a result of the advance-refunding, the Authority increased its total debt service requirement by \$1,579,430, which resulted in an economic loss (difference between present value of the debt service payments on the old and new debt) of \$683,060. In addition, the Authority recorded a deferred loss on defeasance, principally representing the difference between the carrying value of the refunded bonds and the re-acquisition price, of \$208,060. This loss on defeasance is reflected as a reduction in bonds payable and is being amortized on a straight-line basis over the life of the new debt. Amortization expense for the years ended June 30, 2012 and 2011, was \$7,543.

Refunded bonds outstanding at June 30, 2012, are comprised of the following:

Issue	Principal Amount Outstanding June 30, 2012
2001 Refunding	
Parking Revenue (Series 2000)	\$ 18,400,000
2006 Refunding	
Parking Revenue (Series 2003)	3,660,000
	\$ 22,060,000

G. DEBT

Debt consists of garage debt with fluctuating payments due at varying intervals plus interest at approximately 4.7%. Amounts are payable semi-annually through July 2012.

	June 30, 2011	Additions	Deletions	June 30, 2012
Garage debt	\$ 33,205	\$ -	\$ 16,653	\$ 16,552
Less current portion	33,205	-	16,653	16,552
Debt, net of current portion	\$ -	\$ -	\$ -	\$ -
	June 30, 2010	Additions	Deletions	June 30, 2011
Garage debt	\$ 33,304	\$ 33,205	\$ 33,304	\$ 33,205
Less current portion	16,701	33,205	16,701	33,205
Debt, net of current portion	\$ 16,603	\$ -	\$ 16,603	\$ -

PARKING AUTHORITY OF CITY OF TRENTON

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NOTES TO BASIC FINANCIAL STATEMENTS

H. PENSION PLAN

The Authority participates in the PERS of New Jersey, which is part of the Division of Pensions in the Department of the Treasury, State of New Jersey. The plan is funded annually based on the projected benefit method with aggregate-level normal cost and frozen initial unfunded accrued liability. The plan, which covers public employees throughout the state, does not maintain separate records for each reporting unit, and accordingly, the actuarial data for employees of the Authority who are members of the plan is not available.

I. COMMITMENTS AND CONTINGENCIES

The Authority's employees have agreed to be contracted with a local union. The effects of a labor or contract problem of any kind have not been determined and have not been reflected in these financial statements.

J. RELATED PARTY

A commissioner of the Authority is a member of the board of directors of Lafayette Yard Community Development Corporation (the "Corporation"). The Authority has substantially funded the Corporation for \$7,441,142, all of which has been reserved.

K. OTHER POST EMPLOYMENT BENEFITS ("OPEB") OTHER THAN PENSIONS

The Authority participates in a cost sharing multiple-employer defined benefit PERS, which is administered by the State of New Jersey. PERS provides continued health care benefits to employees retiring after twenty-five years of services. Benefits, contributions, funding and the manner of administration are determined by the State Legislature. The Division of pensions charges the Authority for its contribution. The total number of employees receiving benefits was 3, 3 and 2, as of June 30, 2012, 2011 and 2010, respectively. The total cost for these post-retirement benefits, included in fringe benefits, were \$23,305, \$30,068 and \$27,168, respectively.

Please refer to the State website, www.state.nj.us for more information regarding the plan. The PERS report may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

L. SUBSEQUENT EVENTS

Management has evaluated subsequent events that occurred after the statement of net assets date but before September 27, 2012, the date the financial statements were available to be issued. The following items were determined by management to require disclosure:

In August 2012, the Authority closed its Broad and Front garage temporarily due to decline in demand and to perform necessary repairs and maintenance and relocated all parkers to other garages.

In September 2012, the Authority settled a lawsuit with a former employee for lost wages and damages in the amount of \$25,000. The settlement was recorded as a payable at June 30, 2012.

SUPPLEMENTARY INFORMATION

PARKING AUTHORITY OF CITY OF TRENTON

(A Component Unit of the City of Trenton, New Jersey)

**SCHEDULES OF OPERATING REVENUES, EXPENSES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET**

	Year Ended		
	June 30, 2012		June 30, 2011
	Unaudited Budget	Audited Actual	Audited Actual
Revenues			
Parking revenues	\$ 4,046,000	\$ 3,508,353	\$ 3,747,628
Rental income	49,000	26,567	28,506
Investment return, net	87,891	(1,454)	(7,604)
Total revenues	<u>\$ 4,182,891</u>	<u>\$ 3,533,466</u>	<u>\$ 3,768,530</u>
Expenses			
Payroll	\$ 576,000	\$ 606,770	\$ 515,620
Heat, light and water	160,000	172,739	183,296
Facilities maintenance	180,000	158,962	189,914
Parking tickets	4,000	6,260	4,001
Laundry and uniforms	5,000	1,561	2,690
Insurance	105,000	160,961	113,703
Telephone	28,500	27,945	25,042
Office expenses	21,000	25,416	12,812
Fringe benefits	211,000	236,870	249,336
Professional fees	72,500	85,271	79,809
Consulting Fees	145,400	120,325	136,184
Travel, meetings and workshops	25,000	13,090	16,924
Miscellaneous expenses	3,600	3,874	7,994
Bad debt expense	-	70,800	67,250
Total expenses	1,537,000	1,690,844	1,604,575
Interest expense - bonds	1,655,361	1,601,139	1,643,745
Interest expense - garage debt	1,680	628	1,680
Other costs funded by operating revenues			
Principal maturity	923,145	987,291	906,545
Capital outlays	3,083,810	460,029	213,546
Unreserved retained earnings	<u>(3,018,105)</u>	<u>(1,206,465)</u>	<u>(601,561)</u>
Total costs funded by operating revenues	<u>\$ 4,182,891</u>	<u>\$ 3,533,466</u>	<u>\$ 3,768,530</u>

PARKING AUTHORITY OF CITY OF TRENTON

(A Component Unit of the City of Trenton, New Jersey)

SCHEDULE OF OPERATING REVENUES AND EXPENSES

Year Ended June 30, 2012

	Broad & Front	Lafayette	Liberty Commons	Merchant	Warren & Hanover	Total
Revenues						
Parking revenues	\$ 786,173	\$ 1,021,153	\$ 677,091	\$ 432,113	\$ 591,824	\$ 3,508,353
Rental income	-	-	-	-	26,567	26,567
Investment return	(291)	(291)	(291)	(291)	(290)	(1,454)
Total revenues	<u>785,882</u>	<u>1,020,862</u>	<u>676,800</u>	<u>431,822</u>	<u>618,101</u>	<u>3,533,466</u>
Operating Expenses						
Payroll	90,487	209,950	120,220	95,599	90,513	606,770
Heat, light and water	36,661	43,679	37,996	4,695	49,708	172,739
Facilities maintenance	21,409	50,556	38,614	8,283	40,100	158,962
Parking tickets	1,379	1,061	1,061	1,379	1,379	6,260
Laundry and uniforms	270	270	270	270	481	1,561
Insurance	32,192	32,192	32,192	32,192	32,192	160,962
Telephone	6,608	8,411	4,954	2,695	5,277	27,945
Office expense	1,368	10,633	7,466	1,281	4,668	25,416
Fringe benefits	34,085	84,189	47,399	36,714	34,483	236,870
Professional fees	16,582	18,942	16,582	16,582	16,582	85,271
Consulting fees	24,511	22,539	22,644	27,369	23,262	120,325
Bad debt expense	61,400	-	-	-	9,400	70,800
Travel, meetings and workshops	2,672	2,672	2,572	2,493	2,681	13,091
Miscellaneous expense	523	523	524	523	1,780	3,874
Depreciation and amortization	261,181	262,195	272,568	4,032	84,788	884,764
Total expenses	<u>591,330</u>	<u>747,813</u>	<u>605,062</u>	<u>234,108</u>	<u>397,295</u>	<u>2,575,608</u>
Operating income	<u>194,552</u>	<u>273,049</u>	<u>71,738</u>	<u>197,714</u>	<u>220,805</u>	<u>957,858</u>
Non-operating revenues (expenses)						
Interest income	18,082	23,355	15,523	10,226	14,096	81,282
Interest expense	(542,630)	(459,484)	(307,094)	(81,635)	(210,925)	(1,601,767)
Total non-operating expenses	<u>(524,548)</u>	<u>(436,129)</u>	<u>(291,571)</u>	<u>(71,409)</u>	<u>(196,829)</u>	<u>(1,520,485)</u>
Net (loss) income	<u>\$ (329,996)</u>	<u>\$ (163,081)</u>	<u>\$ (219,833)</u>	<u>\$ 126,304</u>	<u>\$ 23,976</u>	<u>\$ (562,628)</u>

PARKING AUTHORITY OF CITY OF TRENTON

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ROSTER OF OFFICIALS

<u>AUTHORITY COMMISSIONERS</u>	<u>POSITION</u>
William Watson	Chairman
Andrew Worek	Treasurer
Harry Reyes	Commissioner
Melody P. Freeman	Commissioner
Peter Page	Commissioner
Anne LaBate	Commissioner
Duncan Harrison	Commissioner
<u>OTHER OFFICIAL</u>	
Walter Smith	Managing Consultant