

PARKING AUTHORITY OF THE CITY OF TRENTON
(A Component Unit of The City of Trenton,
State of New Jersey)

Financial Statements
and
Supplementary Information

June 30, 2017

PARKING AUTHORITY OF THE CITY OF TRENTON

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

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PARKING AUTHORITY OF THE CITY OF TRENTON

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and supplementary information. The Parking Authority of the City of Trenton (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 Authority's website at www.tpanj.com for more information regarding the Authority's parking activity and management contact information.

Financial Highlights

2017

Cash and cash equivalents as of June 30, 2017, were \$3,535,037, an increase of 20% from the balance as of June 30, 2016.

Total liabilities as of June 30, 2017, were \$29,885,836, a decrease of 1% from the balance as of June 30, 2016. Excluding advanced refunded portions, the Authority repaid \$1,705,000 in debt during the fiscal year ended June 30, 2017.

Total revenues were slightly under budget by \$133,320 primarily due to a decrease in parking revenues.

2016

Cash and cash equivalents as of June 30, 2016, were \$2,942,977, a decrease of 12% from the balance as of June 30, 2015.

Total liabilities as of June 30, 2016, were \$30,142,319, a decrease of 3% from the balance as of June 30, 2015. The Authority repaid \$1,380,000 in debt during the fiscal year ended June 30, 2016.

Total revenues were slightly under budget by \$216,201 primarily due to a decrease in parking revenues.

Financial Analysis of the Authority

2017

The Authority's total net position was approximately \$0.5 million as of June 30, 2017. In fiscal year 2017, total assets and deferred outflows of resources increased approximately 1% to \$30.6 million, and total liabilities and deferred inflows of resources decreased approximately 1% to \$30.1 million.

PARKING AUTHORITY OF THE CITY OF TRENTON
(A Component Unit of the City of Trenton, State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Financial Analysis of the Authority (Continued)

2016

Total net position as of June 30, 2016, was approximately \$0.1 million. In fiscal year 2016, total assets and deferred outflows of resources decreased approximately 3% to \$30.5 million, and total liabilities and deferred inflows of resources decreased approximately 3% to \$30.3 million.

Changes in assets, liabilities and net position between June 30, 2017, 2016 and 2015, are summarized as follows:

	June 30, 2017	June 30, 2016	June 30, 2015	Dollar Change 2017-2016	Percentage Change 2017-2016
Current assets	\$ 6,446,914	\$ 6,023,841	\$ 6,503,751	\$ 423,073	7
Capital assets, net	22,733,340	23,004,198	23,571,886	(270,858)	(1)
Other assets	-	8,021	52,300	(8,021)	(100)
Deferred outflows of resources	<u>1,449,837</u>	<u>1,416,122</u>	<u>1,409,674</u>	<u>33,715</u>	2.4
Total assets and deferred outflows of resources	<u>30,630,091</u>	<u>30,452,182</u>	<u>31,537,611</u>	<u>177,909</u>	1
Long-term debt	25,935,000	27,265,000	28,685,000	(1,330,000)	(5)
Other liabilities	3,950,836	2,877,319	2,515,817	1,073,517	37
Deferred inflows of resources	<u>217,285</u>	<u>200,779</u>	<u>248,204</u>	<u>16,506</u>	8
Total liabilities and deferred inflows of resources	<u>30,103,121</u>	<u>30,343,098</u>	<u>31,449,021</u>	<u>(239,977)</u>	(1)
Net position					
Restricted for					
Debt service	4,463,245	3,549,658	3,388,746	913,587	26
Renewal and Replacement	332,241	767,305	939,301	(435,064)	(57)
Deficit	<u>(4,268,516)</u>	<u>(4,207,879)</u>	<u>(4,239,457)</u>	<u>(60,637)</u>	1
Total net position	<u>\$ 526,970</u>	<u>\$ 109,084</u>	<u>\$ 88,590</u>	<u>\$ 417,886</u>	383

Operating Activities

The Authority operates three parking garages in the City of Trenton: Warren Street, Lafayette Yard and Liberty Commons. They also operate a surface lot, which is located on Merchant Street. User fees are generated from monthly passes and daily parkers. Rates are set by the Authority's Board of Commissioners.

PARKING AUTHORITY OF THE CITY OF TRENTON
(A Component Unit of the City of Trenton, State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Operating Activities (Continued)

2017

The Authority's total parking revenue for fiscal year 2017 was \$3.768 million, a 2% increase over fiscal year 2016. The Authority's total operating expenses for fiscal year 2017 were \$2.10 million, a decrease of 13% from fiscal year 2016. The Authority's operating income for fiscal year 2017 was \$1.69 million, an increase of approximately 30% over fiscal year 2016.

2016

The Authority's total parking revenue for fiscal year 2016 was \$3.684 million, a 4% decrease over fiscal year 2015. The Authority's total operating expenses for fiscal year 2016 were \$2.41 million, an increase of 16% from fiscal year 2015. The Authority's operating income for fiscal year 2016 was \$1.31 million, a decrease of approximately 27% from fiscal year 2015.

The following table summarizes the changes in revenue, expenses and net position between the fiscal years of 2017, 2016 and 2015.

	Year Ended			Dollar Change 2017-2016	Percentage Change 2017-2016
	June 30, 2017	June 30, 2016	June 30, 2015		
Operating Revenues:					
Parking Revenue	\$ 3,768,496	\$ 3,684,299	\$ 3,843,173	\$ 84,197	2
Other Revenue	28,184	29,500	29,200	(1,316)	(4)
Total Operating Revenues	<u>3,796,680</u>	<u>3,713,799</u>	<u>3,872,373</u>	<u>82,881</u>	2
Non-Operating Revenues					
Interest Income	77,492	80,948	81,166	(3,456)	(4)
Investment Return	4,028	6,125	3,744	(2,097)	(34)
Total Revenues	<u>3,878,200</u>	<u>3,800,872</u>	<u>3,957,283</u>	<u>77,328</u>	2
Operating Expenses:					
Payroll and Fringe Benefits	571,007	573,335	565,428	(2,328)	-
Depreciation and Amortization	617,522	655,025	658,048	(37,503)	(6)
Other Operating Expenses	913,490	1,176,900	846,802	(263,410)	(22)
Total Operating Expenses	<u>2,102,019</u>	<u>2,405,260</u>	<u>2,070,278</u>	<u>(303,241)</u>	(13)
Operating Income	1,694,661	1,308,539	1,802,095	386,122	30
Non-Operating Expenses:					
Interest Expense	945,254	1,040,756	1,073,914	(95,502)	(9)
Bond Issuance Costs	413,041	-	-	413,041	100
Contingent Expenses	-	334,362	-	-	(100)
Total Non-Operating Expenses	<u>1,358,295</u>	<u>1,375,118</u>	<u>1,073,914</u>	<u>(16,823)</u>	(1)
Total Expenses	<u>3,460,314</u>	<u>3,780,378</u>	<u>3,144,192</u>	<u>(320,064)</u>	(8)
Change in Net Position	417,886	20,494	813,092	397,392	1,939
Net Position, Beginning of Year	109,084	88,590	(724,502)	20,494	(23)
Net Position, End of Year	<u>\$ 526,970</u>	<u>\$ 109,084</u>	<u>\$ 88,590</u>	<u>\$ 417,886</u>	383

PARKING AUTHORITY OF THE CITY OF TRENTON
(A Component Unit of the City of Trenton, State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Capital Assets and Debt Administration

At June 30, 2017, the Authority had a total of \$30,689,417 invested in property and equipment relating primarily to its parking facilities. The total represents an increase of approximately 1% from last year. At June 30, 2016, the Authority had a total of \$30,375,977 invested in property and equipment relating primarily to its parking facilities. The total represents a slight increase from 2015.

The following table summarizes the changes in capital assets, net of depreciation, between the fiscal years 2017, 2016 and 2015.

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Dollar Change 2017-2016</u>	<u>Percentage Change 2017-2016</u>
Land	\$ 1,788,122	\$ 1,788,122	\$ 1,788,122	\$ -	-
Buildings	26,460,016	26,460,016	26,460,016	-	-
Improvements	2,302,855	1,989,415	1,976,394	313,440	16
Furniture and Fixtures	122,268	122,268	122,268	-	-
Automotive Equipment	16,156	16,156	16,156	-	-
	<u>30,689,417</u>	<u>30,375,977</u>	<u>30,362,956</u>	<u>313,440</u>	<u>1</u>
Less: Accumulated Depreciation	<u>(7,956,077)</u>	<u>(7,371,779)</u>	<u>(6,791,070)</u>	<u>584,298</u>	<u>8</u>
Total Capital Assets, Net	<u>\$ 22,733,340</u>	<u>\$ 23,004,198</u>	<u>\$ 23,571,886</u>	<u>\$ (270,858)</u>	<u>1</u>

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 2017, 2016 and 2015:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Dollar Change 2017-2016</u>	<u>Percentage Change 2017-2016</u>
Bonds Payable	<u>\$ 27,440,000</u>	<u>\$ 28,685,000</u>	<u>\$ 30,065,000</u>	<u>\$(1,245,000)</u>	<u>(4)</u>

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

Contacting the Authority's Management

If you have questions about this report or need additional financial information, you can contact the Parking Authority of the City of Trenton at 16 East Hanover Street, Trenton, New Jersey 08608, 609-393-3469 or visit our website at www.tpanj.com.

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Parking Authority of the City of Trenton (the "Authority") (a Component Unit of the City of Trenton, State of New Jersey) as of and for the years ended June 30, 2017 and 2016, and the related notes to financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit 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 auditors' 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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2017 and 2016, and the changes in its financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise the Authority's basic financial statements. The accompanying schedule of operating revenues, expenses and costs funded by operating revenues compared to budget, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information, except for the portion marked "unaudited," has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the portion marked "unaudited," the schedule of operating revenues, expenses and costs funded by operating revenues compared to budget is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of revenues and expenses by garage, schedule of current year findings and recommendations, summary schedule of prior year findings, and roster of officials has 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2017, 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 other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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.

Mercadieu, P.C.

Certified Public Accountants

December 28, 2017

BASIC FINANCIAL STATEMENTS

PARKING AUTHORITY OF THE CITY OF TRENTON
(A Component Unit of the City of Trenton, State of New Jersey)

STATEMENTS OF NET POSITION

	June 30,	
	<u>2017</u>	<u>2016</u>
ASSETS		
Current unrestricted assets		
Cash and cash equivalents	\$ 220,571	\$ 280,459
Investments	1,314,306	1,307,261
Accounts receivable, net of allowance for doubtful accounts of \$34,125 in 2017 and \$55,500 in 2016	51,325	37,796
Accrued interest receivable	23,991	24,904
Prepaid expenses	<u>41,235</u>	<u>56,460</u>
Total current unrestricted assets	<u>1,651,428</u>	<u>1,706,880</u>
Restricted assets		
Cash and cash equivalents		
Current debt service account	1,769,408	771,294
Reserve account	1,212,817	1,123,919
Renewal and replacement account	<u>332,241</u>	<u>767,305</u>
Subtotal	3,314,466	2,662,518
Investments in debt securities	<u>1,481,020</u>	<u>1,654,443</u>
Total restricted assets	<u>4,795,486</u>	<u>4,316,961</u>
Non-current assets		
Property and equipment, net	22,733,340	23,004,198
Construction advances	<u>-</u>	<u>8,021</u>
Total assets	<u>\$ 29,180,254</u>	<u>\$ 29,036,060</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension	\$ 263,502	\$ 132,436
Loss on refunding of bonds	<u>1,186,335</u>	<u>1,283,686</u>
Total deferred outflows of resources	<u>\$ 1,449,837</u>	<u>\$ 1,416,122</u>

See notes to financial statements.

PARKING AUTHORITY OF THE CITY OF TRENTON
(A Component Unit of the City of Trenton, State of New Jersey)

STATEMENTS OF NET POSITION (CONTINUED)

	June 30,	
	2017	2016
LIABILITIES		
Current liabilities payable from unrestricted assets		
Accounts payable	\$ 21,369	\$ 26,652
Accrued liabilities	415,953	403,048
Unearned revenue	1,217	634
Total current liabilities payable from unrestricted assets	438,539	430,334
Current liabilities payable from restricted assets		
Bonds payable - current portion	1,505,000	1,420,000
Accrued interest payable on bonds	223,529	254,246
Total current liabilities payable from restricted assets	1,728,529	1,674,246
Total current liabilities	2,167,068	2,104,580
Non-current liabilities		
Net pension liability	890,295	772,739
Long-term portion of bonds payable	25,935,000	27,265,000
Unamortized bond premium	893,473	-
Total non-current liabilities	27,718,768	28,037,739
Total liabilities	\$ 29,885,836	\$ 30,142,319
 DEFERRED INFLOWS OF RESOURCES		
Pension	\$ 217,285	\$ 200,779
Total deferred inflows of resources	\$ 217,285	\$ 200,779
 NET POSITION		
Restricted for:		
Debt service	\$ 4,463,245	\$ 3,549,658
Renewal and replacement	332,241	767,305
Deficit	(4,268,516)	(4,207,879)
Total net position	\$ 526,970	\$ 109,084

PARKING AUTHORITY OF THE CITY OF TRENTON
(A Component Unit of the City of Trenton, State of New Jersey)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>Years Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Operating revenues		
Parking revenues	\$ 3,768,496	\$ 3,684,299
Rental income	<u>28,184</u>	<u>29,500</u>
Total revenues	3,796,680	3,713,799
Operating expenses		
General and administrative	<u>1,484,497</u>	<u>1,750,235</u>
Operating income before depreciation and amortization	2,312,183	1,963,564
Depreciation and amortization	<u>617,522</u>	<u>655,025</u>
Operating income	<u>1,694,661</u>	<u>1,308,539</u>
Non-operating revenues (expenses)		
Interest income	77,492	80,948
Interest expense	(945,254)	(1,040,756)
Bond issuance costs	(413,041)	-
Investment return	4,028	6,125
Contingent expenses	<u>-</u>	<u>(334,362)</u>
Total non-operating expenses	<u>(1,276,775)</u>	<u>(1,288,045)</u>
Net income	417,886	20,494
Net Position, beginning of year	<u>109,084</u>	<u>88,590</u>
Net position, end of year	<u>\$ 526,970</u>	<u>\$ 109,084</u>

PARKING AUTHORITY OF THE CITY OF TRENTON
(A Component Unit of the City of Trenton, State of New Jersey)

STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2017	2016
Cash flows from operating activities		
Parking revenue	\$ 3,755,551	\$ 3,654,153
Rental income	28,184	29,500
General and administrative expenses	<u>(1,458,652)</u>	<u>(1,445,405)</u>
Net cash provided by operating activities	<u>2,325,083</u>	<u>2,238,248</u>
Cash flows from investing activities		
Non-operating interest income	82,433	87,068
Purchase/(Sale) of investments, net	<u>166,378</u>	<u>(7,342)</u>
Net cash provided by investing activities	<u>248,811</u>	<u>79,726</u>
Cash flows from capital and related financing activities		
Repayment of borrowings	(1,705,000)	(1,380,000)
Purchases of property and equipment	(305,417)	(303,103)
Non-operating interest expense	(942,744)	(1,050,953)
Bond issuance costs	(413,041)	-
Net bond proceeds	<u>1,384,368</u>	<u>-</u>
Net cash used in financing activities	<u>(1,981,834)</u>	<u>(2,734,056)</u>
Net increase (decrease) in cash and cash equivalents	592,060	(416,082)
Cash and cash equivalents, beginning of year	<u>2,942,977</u>	<u>3,359,059</u>
Cash and cash equivalents, end of year	<u>\$ 3,535,037</u>	<u>\$ 2,942,977</u>
Cash and cash equivalents, unrestricted	\$ 220,571	\$ 280,459
Cash and cash equivalents, restricted	<u>3,314,466</u>	<u>2,662,518</u>
	<u>\$ 3,535,037</u>	<u>\$ 2,942,977</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 1,694,661	\$ 1,308,539
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	584,298	580,709
Amortization	33,224	74,316
Bad debt (recovery)/expense	(21,375)	(24,000)
Changes in assets and liabilities		
Pension contribution	2,086	(21,363)
Accounts receivable	7,846	93,653
Prepaid expenses and deposits	15,225	72
Accrued interest receivable	913	1,453
Accounts payable	(5,283)	(15,046)
Accrued liabilities	12,905	338,423
Deferred revenue	<u>583</u>	<u>(98,508)</u>
Net cash provided by operating activities	<u>\$ 2,325,083</u>	<u>\$ 2,238,248</u>

PARKING AUTHORITY OF THE CITY OF TRENTON

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

NOTES TO FINANCIAL STATEMENTS

A. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Parking Authority of the 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. GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. Per the Statement, the sources of authoritative generally accepted accounting principles ("GAAP") are categorized in descending order of authority as follows: GASB Statements and Interpretations, GASB Technical Bulletins, GASB Implementation Guides, and literature of the American Institute of Certified Public Accountants ("AICPA") cleared by the GASB. Authoritative GAAP is incorporated periodically into the *Codification of Governmental Accounting and Financial Reporting Standards* (Codification), and when presented in the Codification, it retains its authoritative status. If the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP described above, a governmental entity should first consider accounting principles for similar transactions or other events within a source of authoritative GAAP described above and then may consider nonauthoritative accounting literature from other sources. These include GASB Concepts Statements; pronouncements and other literature of the Financial Accounting Standards Board ("FASB"), Federal Accounting Standards Advisory Board, International Public Sector Accounting Standards Board, and International Accounting Standards Board, and AICPA literature not cleared by the GASB; practices that are widely recognized and prevalent in state and local government; literature of other professional associations or regulatory agencies; and accounting textbooks, handbooks and articles.

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 and short-term investments are all highly liquid securities with original maturities of 90 days or less.

PARKING AUTHORITY OF THE CITY OF TRENTON
 (A Component Unit of the City of Trenton, State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

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

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 operating expense. Amounts are charged against the allowance for doubtful accounts when management believes that collectibility of certain receivables are uncertain.

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.

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.

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>
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.
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.

PARKING AUTHORITY OF THE CITY OF TRENTON
(A Component Unit of the City of Trenton, State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

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

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 I of these audited financial statements.

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows include deferred amounts relating to pensions. Deferred outflows of resources are a consumption of net position that is applicable to a future reporting period.

Deferred inflows include deferred amounts relating to pensions. Deferred inflows of resources are an increase in net position that is applicable to a future reporting period.

Deferred outflows and deferred inflows of resources are reported for differences between expected or projected results compared to actual results related to the Authority's proportionate share in the cost sharing pension plan as well as changes in the Authority's proportion of the plan from the prior period.

Pension

GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68), establishes standards for the measurement and reporting of the proportionate share of the net pension liability and pension expense. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System ("PERS") and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. (See Note H).

Net Position

Restricted

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

Unrestricted

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

	<u>2017</u>	<u>2016</u>
Invested in capital assets, net of related debt	\$ (4,637,328)	\$ (4,643,343)
Unrestricted net position	<u>368,812</u>	<u>435,464</u>
Deficit	<u>\$ (4,268,516)</u>	<u>\$ (4,207,879)</u>

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NOTES TO FINANCIAL STATEMENTS

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

Rounding

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

Upcoming Standards

GASB Statement No. 75, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans: Establishes new accounting and financial reporting requirements for other postemployment benefit (OPEB) plans provided by state and local governments to its employees and for governments that finance OPEB for employees of other governments. It requires the Authority to record a liability for the OPEB based on specific criteria, record expense based on changes in the components of the net OPEB liability and requires more extensive note disclosures and required supplementary information Effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. Effective for the Authority for the year ending June 30, 2018.

B. CASH AND CASH EQUIVALENTS

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include state or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured.

The market value of the collateral must equal five percent of the average daily balance of public funds; and, if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

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.

As of June 30, 2017 and 2016, the Authority's bank balances were exposed to custodial credit risk as follows:

	June 30,	
	2017	2016
Insured and Collateralized	\$ 467,571	\$ 529,870
Uninsured and Collateralized	3,063,973	2,527,920
Total	<u>\$ 3,531,544</u>	<u>\$ 3,057,790</u>

PARKING AUTHORITY OF THE CITY OF TRENTON
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NOTES TO FINANCIAL STATEMENTS

B. CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party. The Authority's policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation ("FDIC"). The Authority approves and designates the authorized depository institution based on evaluation of solicited responses and certifications provided by financial institutions.

Concentration of Credit Risk – This is the risk associated with the amount of investments the Authority has with any one issuer that exceeds five percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and the New Jersey Cash Management Fund are excluded from this requirement. None of the investments held by the Authority are exposed to concentration of credit risk.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the Authority does not have an investment policy regarding Credit Risk, however, the Authority had no investments that were subject to credit risks as of June 30, 2017 and 2016.

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority has a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations. However, its practice is to hold investments to maturity.

C. 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 Unrestricted and Restricted Assets on the statement of net position and at fair value.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Fair Value on a Recurring Basis

The table below presents the balances of investments measured at fair value on the statement of net position as of June 30, 2017 and 2016:

	June 30, 2017			
	Total	Level 1	Level 2	Level 3
Available for sale securities	\$ 2,795,326	\$ 2,795,326	\$ -	\$ -
Total	\$ 2,795,326	\$ 2,795,326	\$ -	\$ -

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NOTES TO FINANCIAL STATEMENTS

C. INVESTMENTS (CONTINUED)

	June 30, 2016			
	Total	Level 1	Level 2	Level 3
Available for sale securities	\$ 2,961,704	\$ 2,961,704	\$ -	\$ -
Total	<u>\$ 2,961,704</u>	<u>\$ 2,961,704</u>	<u>\$ -</u>	<u>\$ -</u>

D. CONCENTRATION OF RISK

Revenues collected from the State of New Jersey were 73% and 52% of total parking revenues for the years ended June 30, 2017 and 2016, respectively. Any additional substantial decrease in these revenues could have a material adverse effect on the operations of the Authority.

E. PROPERTY AND EQUIPMENT

Property and equipment for the years ended June 30, 2017 and 2016, consist of the following:

	June 30, 2016	Additions	Deletions	June 30, 2017
Land	\$ 1,788,122	\$ -	\$ -	\$ 1,788,122
Buildings	26,460,016	-	-	26,460,016
Improvements	1,989,415	313,440	-	2,302,855
Furniture and fixtures	122,268	-	-	122,268
Automotive equipment	16,156	-	-	16,156
Subtotal	<u>30,375,977</u>	<u>313,440</u>	<u>-</u>	<u>30,689,417</u>
Less accumulated depreciation	<u>(7,371,779)</u>	<u>(584,298)</u>	<u>-</u>	<u>(7,956,077)</u>
Total property and equipment	<u>\$ 23,004,198</u>	<u>\$ (270,858)</u>	<u>\$ -</u>	<u>\$ 22,733,340</u>
	June 30, 2015	Additions	Deletions	June 30, 2016
Land	\$ 1,788,122	\$ -	\$ -	\$ 1,788,122
Buildings	26,460,016	-	-	26,460,016
Improvements	1,976,394	13,021	-	1,989,415
Furniture and fixtures	122,268	-	-	122,268
Automotive equipment	16,156	-	-	16,156
Subtotal	<u>30,362,956</u>	<u>13,021</u>	<u>-</u>	<u>30,375,977</u>
Less accumulated depreciation	<u>(6,791,070)</u>	<u>(580,709)</u>	<u>-</u>	<u>(7,371,779)</u>
Total property and equipment	<u>\$ 23,571,886</u>	<u>\$ (567,688)</u>	<u>\$ -</u>	<u>\$ 23,004,198</u>

Depreciation expense charged to operations was \$584,298 and \$580,709 for the years ended June 30, 2017 and 2016, respectively.

In July 2012, the Authority closed its Broad and Front garage and relocated all parkers to other garages. As of June 30, 2013, the garage was impaired and the remaining value of the building and improvements was written down completely and a loss due to impairment was recognized in the amount of \$3,503,307.

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NOTES TO FINANCIAL STATEMENTS

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:

Series	Issue Date	Interest Rates	Amount of Original Issue
Parking Revenue (Series 2013B)	3/7/13	1.50%-4.00%	\$ 19,295,000
Parking Revenue (Series 2016)	9/26/16	1.50%-4.00%	<u>20,700,000</u>
Total			<u>\$ 39,995,000</u>

Series	June 30, 2016	Additions	Deletions	June 30, 2017
Parking Revenue (Series 2006)	\$ 3,710,000	\$ -	\$ 3,710,000	\$ -
Parking Revenue Refunding (Series 2013B)	24,975,000	-	17,020,000	7,955,000
Parking Revenue Refunding (Series 2016)	-	<u>20,700,000</u>	<u>1,215,000</u>	<u>19,485,000</u>
Total	<u>28,685,000</u>	<u>20,700,000</u>	<u>21,945,000</u>	<u>27,440,000</u>
Plus Unamortized Bond Premium	-	940,498	47,025	893,473
Less current portion	<u>1,420,000</u>	<u>1,505,000</u>	<u>1,420,000</u>	<u>1,505,000</u>
Bonds payable, net of current portion	<u>\$ 27,265,000</u>	<u>\$ 20,135,498</u>	<u>\$ 20,572,025</u>	<u>\$ 26,828,473</u>

Series	June 30, 2015	Additions	Deletions	June 30, 2016
Parking Revenue (Series 2006)	\$ 3,830,000	\$ -	\$ 120,000	\$ 3,710,000
Parking Revenue Refunding (Series 2013A&B)	<u>26,235,000</u>	-	<u>1,260,000</u>	<u>24,975,000</u>
Total	<u>30,065,000</u>	-	<u>1,380,000</u>	<u>28,685,000</u>
Less current portion	<u>1,380,000</u>	<u>1,420,000</u>	<u>1,380,000</u>	<u>1,420,000</u>
Bonds payable, net of current portion	<u>\$ 28,685,000</u>	<u>\$ (1,420,000)</u>	<u>\$ -</u>	<u>\$ 27,265,000</u>

Total maturities of bonds are as follows:

Years Ending June 30,	Principal	Interest	Total
2018	\$ 1,505,000	\$ 890,417	\$ 2,395,417
2019	1,555,000	849,736	2,404,736
2020	1,605,000	797,158	2,402,158
2021	1,640,000	742,546	2,382,546
2022	1,715,000	685,013	2,400,013
2023 - 2027	9,510,000	2,516,682	12,026,682
2028 - 2032	8,080,000	939,155	9,019,155
2033 - 2034	<u>1,830,000</u>	<u>69,812</u>	<u>1,899,812</u>
Total	<u>\$ 27,440,000</u>	<u>\$ 7,490,519</u>	<u>\$ 34,930,519</u>

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NOTES TO FINANCIAL STATEMENTS

F. BONDS PAYABLE (CONTINUED)

Refunding Bond Issues

In March 2013, the Authority issued \$19,295,000 in Series 2013A and \$9,030,000 in Series 2013B Parking Revenue Refunding Bonds which refunded Series 2001 bonds in the amount of \$18,840,000 and advance-refunded Series 2003 bonds in the amount of \$8,460,000. The net proceeds of \$28,204,066 (after payment of \$493,652 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 Series 2001 Parking Revenue Refunding Bonds and 2003 Parking Revenue Bonds up to and including April 1, 2030 and October 1, 2033, respectively. The portion of Series 2013A Bonds maturing on or after April 1, 2017, is subject to redemption on or after April 1, 2016, and the portion of Series 2013B Bonds maturing on or after October 1, 2023, is subject to redemption on or after October 1, 2022.

As a result of the advance-refunding, the Authority decreased its total debt service requirement by \$1,204,601, which resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$849,942. 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 \$1,370,908. This loss on defeasance is being amortized on a straight-line basis over the life of the new debt. Amortization expense for the years ended June 30, 2017 and 2016, was \$24,261 and \$66,873, respectively.

In September 2016, the Authority issued \$3,735,000 in 2016 Series A and \$16,965,000 in 2016 Series B Parking Revenue Refunding Bonds (consisting of \$16,250,000 Parking Revenue and Refunding Bonds (City Guaranteed) Series 2016 and \$715,000 Parking Revenue Bonds (City Guaranteed) Series 2016). The 2016 Series A were issued to provide funds to be used, together with other available funds of the Authority, to refund \$3,585,000 of the Authority's outstanding 2006 bonds and pay the costs of issuing the 2016 Series A Bonds. The 2016 Series B were issued to provide funds to be used, together with other available funds of the Authority, to refund \$15,725,000 of the Authority's outstanding 2013 Refunding Bonds, finance certain capital improvements to the Authority garages, and pay the costs of issuing the 2016 Series B Bonds. The 2016 Series A and B were issued at a premium of \$940,498. Bond premium amortization income for the year ended June 30, 2017, was \$47,025. The net proceeds of \$21,429,457 (after payment of \$413,041 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 Series 2013 Parking Revenue Refunding Bonds and 2006 Parking Revenue Refunding Bonds up to and including April 1, 2030 and October 1, 2033, respectively. The 2016 Series A bonds maturing prior to October 1, 2027, are not subject to optional redemption prior to their stated maturities. The 2016 Series A Bonds maturing on or after October 1, 2027, shall be subject to redemption, at the option of the Authority, prior to their stated maturity dates, as a whole or in part (in order of maturity determined by the Authority and by lot within a maturity) at any time on or after October 1, 2026, upon notice, as provided in the General Bond Resolution, at 100% of the principal amount of the Bonds redeemed, plus accrued interest thereon, if any, to the date

PARKING AUTHORITY OF THE CITY OF TRENTON
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NOTES TO FINANCIAL STATEMENTS

F. BONDS PAYABLE (CONTINUED)

Refunding Bond Issues (Continued)

fixed for redemption. The 2016 Series B bonds maturing prior to April 1, 2027 are not subject to optional redemption prior to their stated maturities. The 2016 Series B Bonds maturing on or after April 1, 2027, shall be subject to redemption, at the option of the Authority, prior to their stated maturity dates, as a whole or in part (in order of maturity determined by the Authority and by lot within a maturity) at any time on or after April 1, 2026, upon notice, as provided in the General Bond Resolution, at 100% of the principal amount of the Bonds redeemed, plus accrued interest thereon, if any, to the date fixed for redemption.

As a result of the advance-refunding, the Authority decreased its total debt service requirement by \$1,475,484, which resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$1,068,668. 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 \$1,247,980. This loss on defeasance is being amortized on a straight-line basis over the life of the new debt. Amortization expense for the year ended June 30, 2017, was \$55,987.

Refunded bonds outstanding at June 30, 2017 are comprised of the following:

<u>Issue</u>	<u>Principal Amount Outstanding June 30, 2017</u>
2016 Refunding	
Parking Revenue (Series 2006)	\$ 3,585,000
Parking Revenue (Series 2013)	16,655,000
2013 Refunding	
Parking Revenue (Series 2001)	<u>7,985,000</u>
	<u>\$ 28,225,000</u>

G. COMMITMENT AND CONTINGENCY

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.

The Authority identified additional improvements for the rehabilitation of the Broad and Front Street garage that far exceeded the initial project budget estimates. The Board determined that the additional improvements were cost prohibitive and discontinued the project. As a result, a contingent liability of \$334,362 existed at June 30, 2017 and 2016 for advanced rental payments.

H. PENSION PLAN

Some of the Authority's employees participate in one of the two following defined benefit pension plans: (1) the Public Employees' Retirement System ("PERS") or (2) the New Jersey Alternate Benefit Program ("ABP"), both of which are administered and/or regulated by the New Jersey Division of Pensions and Benefits. In addition, several Authority employees participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each plan has a board of trustees that is primarily responsible for its administration. The

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NOTES TO FINANCIAL STATEMENTS

H. PENSION PLAN (CONTINUED)

Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

Plan Description

PERS is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955. For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

Benefits Provided

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirements benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 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.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. 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

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NOTES TO FINANCIAL STATEMENTS

H. PENSION PLAN (CONTINUED)

Contributions (continued)

2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will 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.

The Authority is billed annually for its normal contribution plus any accrued liability. The contributions to PERS from the Authority were \$31,015 and \$30,732 for the years ended June 30, 2016 and 2015, respectively.

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

At June 30, 2017 and 2016, the Authority had a liability of \$890,295 and \$772,739 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members of the plan, actuarial determined. At the plan measurement dates of June 30, 2015 and 2014, the Authority's proportion was 0.0030060141% and 0.0034423526%, respectively, which was a decrease of .0005% and .001%, respectively, from its proportion measured as of June 30, 2014 and 2013, respectively. For the year ended June 30, 2017 and 2016, the Authority recognized pension expense of \$31,720 and \$9,652, respectively. At June 30, 2017 and 2016, the Authority reported deferred outflows of resources as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Changes in assumptions	234,927	-	101,421	-
Net difference between projected and actual earnings on pension plan investments	-	-	-	12,424
Changes in proportion	-	217,285	-	188,355
Authority contributions subsequent to the measurement date	<u>28,575</u>	<u>-</u>	<u>31,015</u>	<u>-</u>
	<u>\$ 263,502</u>	<u>\$ 217,285</u>	<u>\$ 132,436</u>	<u>\$ 200,779</u>

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

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NOTES TO FINANCIAL STATEMENTS

H. PENSION PLAN (CONTINUED)

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

Years ending June 30, :

	<u>PERS</u>
2017	\$ 52,891
2018	52,891
2019	61,277
2020	51,481
2021	<u>16,387</u>
	<u>\$ 234,927</u>

Actuarial Assumptions

The total pension liability in the June 30, 2016 (measurement date), actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.08%
Salary increases: Through 2026	1.65-4.15% (based on age)
Salary increases: Thereafter	2.65-5.15% (based on age)
Investment rate of return	7.65%

Pre-retirement 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 modified MP-2014 projection scale. Post-retirement mortality rates were based on the 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 and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back three years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries.

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NOTES TO FINANCIAL STATEMENTS

H. PENSION PLAN (CONTINUED)

Actuarial Assumptions (continued)

The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016, are summarized in the following table:

Asset Class	2016	
	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00 %	0.87 %
U.S. Treasuries	1.50 %	1.74 %
Investment Grade Credit	8.00 %	1.79 %
Mortgages	2.00 %	1.67 %
High Yield Bonds	2.00 %	4.56 %
Inflation-Indexed Bonds	1.50 %	3.44 %
Broad US Equities	26.00 %	8.53 %
Developed Foreign Equities	13.25 %	6.83 %
Emerging Market Equities	6.50 %	9.95 %
Private Equities	9.00 %	12.40 %
Hedge Funds/Absolute Return	12.50 %	4.68 %
Real Estate (Property)	2.00 %	6.91 %
Commodities	0.50 %	5.45 %
Global Debt ex US	5.00 %	(0.25)%
REIT	5.25 %	5.63 %
	<u>100.00 %</u>	

Asset Class	2015	
	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00 %	1.04 %
U.S. Treasuries	1.75 %	1.64 %
Investment Grade Credit	10.00 %	1.79 %
Mortgages	2.10 %	1.62 %
High Yield Bonds	2.00 %	4.03 %
Inflation-Indexed Bonds	1.50 %	3.25 %
Broad US Equities	27.25 %	8.52 %
Developed Foreign Equities	12.00 %	6.88 %
Emerging Market Equities	6.40 %	10.00 %
Private Equities	9.25 %	12.41 %
Hedge Funds/Absolute Return	12.00 %	4.72 %
Real Estate (Property)	2.00 %	6.83 %
Commodities	1.00 %	5.32 %
Global Debt ex US	3.50 %	(0.40)%
REIT	4.25 %	5.12 %

PARKING AUTHORITY OF THE CITY OF TRENTON
(A Component Unit of the City of Trenton, State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

H. PENSION PLAN (CONTINUED)

100.00 %

Discount Rate

The discount rate used to measure the total pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015, respectively. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, 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 average of the last five years of contributions made in relation to the last five years of actuarially determined contribution rate in the most recent fiscal year. 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the Authority as of June 30, 2017, calculated using the June 30, 2016 discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% decrease (2.98%)	At current discount rate (3.98%)	At 1% increase (4.98%)
Local	<u>\$ 1,090,953</u>	<u>\$ 890,295</u>	<u>\$ 724,635</u>

I. 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 service. Benefits, contributions, funding and the manner of administration are determined by the State Legislature. The Division of Pensions charges the Authority for its contribution. Three employees were receiving benefits as of June 30, 2017, 2016 and 2015, respectively. The total cost for these post-retirement benefits, included in fringe benefits, were \$18,037, \$19,011 and \$19,301, 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.

SUPPLEMENTARY INFORMATION

PARKING AUTHORITY OF THE CITY OF TRENTON

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

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

	Years Ended		
	June 30, 2017		June 30, 2016
	(Unaudited) Budget*	Audited Actual	Audited Actual
Revenues			
Parking revenues	\$ 3,901,000	\$ 3,768,496	\$ 3,684,299
Rental income	29,000	28,184	29,500
Total revenues	<u>\$ 3,930,000</u>	<u>\$ 3,796,680</u>	<u>\$ 3,713,799</u>
Expenses			
Payroll	\$ 394,500	\$ 383,968	\$ 403,280
Heat, light and water	140,000	123,755	91,285
Facilities maintenance	210,000	407,785	726,053
Parking tickets	2,000	-	3,616
Laundry and uniforms	1,000	1,966	1,140
Insurance	170,000	171,301	184,417
Telephone	25,000	27,028	25,359
Office expenses	51,500	50,241	50,827
Fringe benefits	192,000	187,039	170,055
Professional fees	77,500	111,774	96,315
Consulting Fees	138,000	27,773	10,162
Travel, meetings and workshops	8,500	6,954	6,210
Miscellaneous expenses	20,000	6,288	5,516
Bad debt recovery	-	(21,375)	(24,000)
Total expenses	1,430,000	1,484,497	1,750,235
Interest expense - bonds	1,050,947	1,358,295	1,040,755
Other costs funded by operating revenues			
Principal maturity	1,355,000	1,705,000	1,380,000
Capital outlays	1,380,000	305,417	303,103
Unreserved retained earnings	(1,285,947)	(1,056,529)	(760,294)
Total costs funded by operating revenues	<u>\$ 3,930,000</u>	<u>\$ 3,796,680</u>	<u>\$ 3,713,799</u>

*Unapproved submitted budget.

PARKING AUTHORITY OF THE CITY OF TRENTON

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SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.0030060141%	0.0034423526%	0.0035567095%
Authority's proportionate share of the net pension liability	\$ 890,295	\$ 772,739	\$ 665,913
Authority's covered-employee payroll	383,968	403,280	411,674
Authority's proportionate share of the net pension liability as a percentage of payroll	2.319 %	1.916 %	1.618 %
Plan fiduciary net position as a percentage of the total pension liability	40.14 %	47.93 %	52.08 %
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 26,705	\$ 29,595	\$ 29,321
Contributions in relation to the contractually required contribution	28,575	31,015	30,732
Authority's covered-employee payroll	383,968	403,280	411,674
Contributions as a percentage of covered employee payroll	7 %	8 %	7 %

PARKING AUTHORITY OF THE CITY OF TRENTON, NEW JERSEY
SCHEDULE OF REVENUES AND EXPENSES BY GARAGE (UNAUDITED)

Year Ended June 30, 2017

	Broad & Front	Lafayette	Liberty Commons	Merchant	Warren & Hanover	Total
Revenues						
Parking revenues	\$ -	\$ 1,399,081	\$ 979,731	\$ 438,993	\$ 950,692	\$ 3,768,496
Rental income	-	184	-	-	28,000	28,184
Total revenues	-	1,399,265	979,731	438,993	978,692	3,796,680
Operating Expenses						
Payroll	-	164,534	93,564	78,733	47,138	383,968
Heat, light and water	10,840	32,530	25,365	5,460	49,560	123,755
Facilities maintenance	166,371	82,997	71,134	15,473	71,811	407,785
Laundry and uniforms	-	465	465	465	571	1,966
Insurance	34,706	49,557	47,176	3,803	36,059	171,301
Telephone	-	10,683	6,050	3,438	6,857	27,028
Office expense	-	9,835	15,016	5,756	19,635	50,241
Fringe benefits	-	81,208	45,912	37,593	22,326	187,039
Professional fees	8,000	26,395	26,395	24,395	26,588	111,774
Consulting fees	500	360	6,006	500	20,407	27,773
Travel, meetings and workshops	-	431	425	365	5,733	6,954
Miscellaneous expense	-	1,407	1,407	1,407	2,067	6,288
Bad debt recovery	-	(6,000)	(18,000)	-	2,625	(21,375)
Total Operating Expenses	220,417	454,401	320,914	177,388	311,377	1,484,497
Operating income before depreciation and amortization	(220,417)	944,863	658,816	261,605	667,315	2,312,183
Depreciation and amortization	12,109	264,403	263,121	8,661	69,229	617,522
Operating Income	(232,526)	680,461	395,695	252,944	598,087	1,694,660
Non-Operating Revenues (Expenses)						
Bond interest income	-	19,374	19,369	19,369	19,380	77,492
Bond issuance costs	(111,604)	(197,145)	(34,241)	(35,026)	(35,026)	(413,041)
Investment return, net	-	1,376	766	1,004	882	4,028
Interest expense	(317,322)	(273,984)	(182,041)	(48,706)	(123,201)	(945,254)
Total Non-Operating Expenses	(428,926)	(450,378)	(196,148)	(63,359)	(137,965)	(1,276,775)
Net Income (Loss)	\$ (661,452)	\$ 230,083	\$ 199,547	\$ 189,586	\$ 460,122	\$ 417,886

See independent auditors' report.

PARKING AUTHORITY OF THE CITY OF TRENTON

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

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2017

Finding 2017-001

Criteria

Management is responsible for compliance with the applicable rules and regulations mandated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services.

Condition

Noncompliance with the 48 hour rule for timely deposits of revenues was noted in 2 of 119 deposits tested.

Cause

Inconsistent monitoring of compliance requirements set forth by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Effect

The Authority increases the risk of misappropriation of assets by not monitoring and complying with the requirements set forth by the State of New Jersey, Department of Community Affairs, Division of Local Government Services.

Recommendation

We recommend that the Authority establish written internal control policies and procedures to assist in monitoring its compliance with the rules and regulations mandated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services.

Management's Response

Management has reviewed the finding and is in agreement. A corrective action plan will be completed within 45 days.

PARKING AUTHORITY OF THE CITY OF TRENTON

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

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

Year Ended June 30, 2017

Finding 2017-002

Criteria

Management is responsible for establishing and maintaining effective internal control over financial reporting.

Condition

- During testing of disbursements, documentation viewed did not contain purchase orders and related support demonstrating the necessary review and approval by management prior to the ordering of goods or services. Transactions were also recorded to the wrong accounting period.
- During the testing of fiscal year 2017 accounts receivable, supporting documentation did not agree to the trial balance.
- A written capitalization policy has not been established.

Cause

Inadequate segregation of duties and lack of adherence to policy and procedures.

Effect

Over or understatement of account balances.

Recommendation

- We recommend that the Authority establish written internal control policies and procedures to utilize sequentially numbered purchase requisitions and/or purchase orders.
- We recommend the Authority establish a written capitalization policy.
- We recommend accounts receivable balances be reviewed on a monthly basis, and adjusted accordingly.

Management's Response

Management has reviewed the finding and is in agreement. A corrective action plan will be completed within 45 days.

PARKING AUTHORITY OF THE CITY OF TRENTON

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

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

Year Ended June 30, 2017

Finding 2017-003

Criteria

Management is responsible for timely and accurate financial reporting.

Condition

The 2017 financial statements were not completed and filed with the State of New Jersey Department of Community Affairs timely.

Cause

The policies and procedures over the financial reporting process were not consistently followed in order to timely complete and file the annual financial statements.

Effect

Cash reconciliations and various account balances were not reconciled on a timely basis causing delays in completing the audit.

Recommendation

We recommend that the policies and procedures over the financial reporting process be consistently followed in order to timely complete and file the annual financial statements.

Management's Response

Management has reviewed the finding and is in agreement. A corrective action plan will be completed within 45 days.

PARKING AUTHORITY OF THE CITY OF TRENTON
(A Component Unit of the City of Trenton, State of New Jersey)

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2017

Finding 2016-001

Condition

There were various parking revenue cash receipts that were not deposited to the Authority bank accounts, as well as proper reconciliation and review of the deposits not completed timely to identify the issue.

Status

This condition was resolved.

Finding 2016-002

Condition

Noncompliance with the 48 hour rule for timely deposits of revenues was noted in 74 of 226 deposits tested.

Status

This condition still exists as current year finding 2017-001.

Finding 2016-003

Condition

During testing of fiscal year 2016 and subsequent disbursements, documentation viewed did not contain purchase orders and related support demonstrating the necessary review and approval of management prior to the ordering of goods or services. Expenditure transactions were also recorded to the wrong accounting period.

Status

The condition still exists as current year finding 2017-002.

PARKING AUTHORITY OF THE CITY OF TRENTON
(A Component Unit of the City of Trenton, State of New Jersey)

ROSTER OF OFFICIALS

<u>AUTHORITY COMMISSIONERS</u>	<u>POSITION</u>
Andrew Worek	Chairman
Harry Reyes	Vice Chairman
Melody P. Freeman	Commissioner
Anne LaBate	Commissioner
Scott Rice	Commissioner
Perry Shaw	Commissioner
William Watson	Commissioner
Margaret Caldwell-Wilson	City Council Liaison

INDEPENDENT AUDITORS' 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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Parking Authority of the City of Trenton (the "Authority") as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 28, 2017.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we identified the deficiency described in the accompanying schedule of current year findings and recommendations, finding 2017-002, to be a material weakness.

**INDEPENDENT AUDITORS' 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
(CONTINUED)**

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 and contracts, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current year findings and recommendations as findings 2017-001 and 2017-003.

Authority's Response to Findings and Recommendations

The Authority's response to the findings identified in our audit are described in the accompanying Schedule of Current Year Findings and Recommendations. 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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mercadion, P.C.

Certified Public Accountants

December 28, 2017