

**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, 2016

**PARKING AUTHORITY OF THE CITY OF TRENTON**

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

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June 30, 2016

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

## **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)**

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#### 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](http://www.tpanj.com) for more information regarding the Authority's parking activity and management contact information.

#### **Financial Highlights**

Cash and cash equivalents as of June 30, 2016 were \$2,942,977, a decrease of 12.39% from the balance as of June 30, 2015.

Total liabilities as of June 30, 2016 were \$30,142,319, a decrease of 3.39% 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**

The Authority's total net position was approximately \$0.1 million as of June 30, 2016. 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. Total net position as of June 30, 2015, was approximately \$0.1 million. This was due to implementation of Governmental Accounting Standard Board Statement No. 68. Total assets and deferred outflows of resources that year decreased approximately 1% to \$31.5 million, and total liabilities and deferred inflows of resources decreased approximately 4% to \$31.3 million. Changes in assets, liabilities and net position between June 30, 2016, 2015 and 2014, are summarized as follows:

**PARKING AUTHORITY OF THE CITY OF TRENTON**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**Financial Analysis of the Authority (Continued)**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change 2016-2015</u>
Current assets	\$ 6,023,841	\$ 6,503,751	\$ 6,369,006	(7)
Capital assets, net	23,004,198	23,571,886	24,114,775	(2)
Other assets	8,021	52,300	-	(85)
Deferred outflows of resources	<u>1,416,122</u>	<u>1,409,674</u>	<u>1,463,593</u>	0.5
Total assets and deferred outflows of resources	<u>30,452,182</u>	<u>31,537,611</u>	<u>31,947,374</u>	(3)
Long-term debt	27,265,000	28,685,000	30,065,000	(5)
Other liabilities	2,877,319	2,515,817	2,606,876	14
Deferred inflows of resources	<u>200,779</u>	<u>248,204</u>	<u>-</u>	100
Total liabilities and deferred inflows of resources	<u>30,343,098</u>	<u>31,449,021</u>	<u>32,671,876</u>	(4)
Net position				
Restricted for				
Debt service	3,549,658	3,388,746	3,598,174	5
Renewal and Replacement	767,305	939,301	939,301	(18)
Deficit	<u>(4,207,879)</u>	<u>(4,239,457)</u>	<u>(5,261,977)</u>	(1)
Total net position	<u>\$ 109,084</u>	<u>\$ 88,590</u>	<u>\$ (724,502)</u>	23

**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.

The Authority's total parking revenue for fiscal year 2016 was \$3.684 million, a 2% 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, an increase of approximately 1% over fiscal year 2015. The Authority's total parking revenue for fiscal year 2015 was \$3.843 million, a 12% increase over fiscal year 2014. The Authority's total operating expenses for fiscal year 2015 were \$2.07 million, an increase of 6% from fiscal year 2014. The Authority's operating income for fiscal year 2015 was \$1.80 million, an increase of approximately 23% from fiscal year 2014. The following table summarizes the changes in revenue, expenses and net position between the fiscal years of 2016, 2015 and 2014.

**PARKING AUTHORITY OF THE CITY OF TRENTON**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**Operating Activities (Continued)**

	Year Ended			Percentage Change 2016-2015
	June 30, 2016	June 30, 2015	June 30, 2014	
Operating Revenues:				
Parking Revenue	\$ 3,684,299	\$ 3,843,173	\$ 3,413,313	(4)
Other Revenue	29,500	29,200	29,700	1
Total Operating Revenues	<u>3,713,799</u>	<u>3,872,373</u>	<u>3,443,013</u>	(4)
Non-Operating Revenues				
Interest Income	80,948	81,166	81,166	-
Investment Return, net of Amortization of Bond Premiums	6,125	3,744	747	64
Total Revenues	<u>3,800,872</u>	<u>3,957,283</u>	<u>3,524,926</u>	(4)
Operating Expenses:				
Payroll and Fringe Benefits	573,335	565,428	587,835	1
Depreciation and Amortization	655,025	658,048	691,201	-
Other Operating Expenses	1,176,900	846,802	665,713	39
Total Operating Expenses	<u>2,405,260</u>	<u>2,070,278</u>	<u>1,944,749</u>	16
Operating Income	1,308,539	1,802,095	1,498,264	(27)
Non-Operating Expenses				
Interest Expense	<u>1,040,756</u>	<u>1,073,914</u>	<u>1,121,198</u>	3
Total Expenses	<u>3,446,016</u>	<u>3,144,192</u>	<u>3,065,947</u>	10
Change in Net Position	20,494	813,092	458,979	(97)
Net Position, Beginning of Year	88,590	(724,502)	(256,873)	112
Prior Period Adjustment	-	-	(926,608)	-
Net Position, End of Year	<u>\$ 109,084</u>	<u>\$ 88,590</u>	<u>\$ (724,502)</u>	23

**PARKING AUTHORITY OF THE CITY OF TRENTON**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**Capital Assets and Debt Administration**

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 last year. At June 30, 2015, the Authority had a total of \$30,362,956 invested in property and equipment relating primarily to its parking facilities. The total represents a slight increase from 2014. The following table summarizes the changes in capital assets, net of depreciation, between the fiscal years 2016, 2015 and 2014.

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change 2016-2015</u>
Land	\$ 1,788,122	\$ 1,788,122	\$ 1,788,122	-
Buildings	26,460,016	26,460,016	26,460,016	-
Improvements	1,989,415	1,976,394	1,941,405	1
Furniture and Fixtures	122,268	122,268	116,519	0
Automotive Equipment	<u>16,156</u>	<u>16,156</u>	<u>16,156</u>	-
	30,375,977	30,362,956	30,322,218	-
Less: Accumulated Depreciation	<u>7,371,779</u>	<u>6,791,070</u>	<u>6,207,443</u>	9
Total Capital Assets, Net	<u>\$ 23,004,198</u>	<u>\$ 23,571,886</u>	<u>\$ 24,114,775</u>	(2)

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 2016, 2015 and 2014:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change 2016-2015</u>
Bonds Payable	<u>\$ 28,685,000</u>	<u>\$ 30,065,000</u>	<u>\$ 31,420,000</u>	(5)

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

## **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)

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, 2016 and 2015, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### 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

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## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

### **Auditors' Responsibility (Continued)**

expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2016 and 2015, 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 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 collectively 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.

## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

### **Other Matters (Continued)**

#### *Supplementary Information (Continued)*

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 it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2017, for the year ended June 30, 2016, 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*

March 16, 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>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current unrestricted assets		
Cash and cash equivalents	\$ 280,459	\$ 686,598
Investments	1,307,261	1,298,768
Accounts receivable, net of allowance for doubtful accounts of \$55,500 in 2016 and \$79,500 in 2015	37,796	107,449
Accrued interest receivable	24,904	26,357
Prepaid expenses	<u>56,460</u>	<u>56,532</u>
Total current unrestricted assets	<u>1,706,880</u>	<u>2,175,704</u>
Restricted assets		
Cash and cash equivalents		
Current debt service account	771,294	690,409
Reserve account	1,123,919	1,042,751
Renewal and replacement account	<u>767,305</u>	<u>939,301</u>
Subtotal	2,662,518	2,672,461
Investments in debt securities	<u>1,654,443</u>	<u>1,655,586</u>
Total restricted assets	<u>4,316,961</u>	<u>4,328,047</u>
Non-current assets		
Property and equipment, net	23,004,198	23,571,886
Construction advances	<u>8,021</u>	<u>52,300</u>
Total assets	<u>\$ 29,036,060</u>	<u>\$ 30,127,937</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension contribution	\$ 132,436	\$ 51,672
Loss on refunding of bonds	<u>1,283,686</u>	<u>1,358,002</u>
Total deferred outflows of resources	<u>\$ 1,416,122</u>	<u>\$ 1,409,674</u>

**PARKING AUTHORITY OF THE CITY OF TRENTON**  
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STATEMENTS OF NET POSITION (CONTINUED)

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
<b>LIABILITIES</b>		
Current liabilities payable from unrestricted assets		
Accounts payable	\$ 26,652	\$ 41,698
Accrued liabilities	403,048	64,625
Unearned revenue	<u>634</u>	<u>99,142</u>
Total current liabilities payable from unrestricted assets	<u>430,334</u>	<u>205,465</u>
Current liabilities payable from restricted assets		
Bonds payable - current portion	1,420,000	1,380,000
Accrued interest payable on bonds	<u>254,246</u>	<u>264,439</u>
Total current liabilities payable from restricted assets	<u>1,674,246</u>	<u>1,644,439</u>
Total current liabilities	<u>2,104,580</u>	<u>1,849,904</u>
Non-current liabilities		
Net pension liability	772,739	665,913
Long-term portion of bonds payable	<u>27,265,000</u>	<u>28,685,000</u>
Total non-current liabilities	<u>28,037,739</u>	<u>29,350,913</u>
Total liabilities	<u>\$ 30,142,319</u>	<u>\$ 31,200,817</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	<u>\$ 200,779</u>	<u>\$ 248,204</u>
Total deferred inflows of resources	<u>\$ 200,779</u>	<u>\$ 248,204</u>
 <b>NET POSITION</b>		
Restricted for:		
Debt service	\$ 3,549,658	\$ 3,388,746
Renewal and replacement	767,305	939,301
Deficit	<u>(4,207,879)</u>	<u>(4,239,457)</u>
Total net position	<u>\$ 109,084</u>	<u>\$ 88,590</u>

**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>2016</u>	<u>2015</u>
Operating revenues		
Parking revenues	\$ 3,684,299	\$ 3,843,173
Rental income	<u>29,500</u>	<u>29,200</u>
Total revenues	3,713,799	3,872,373
Operating expenses		
General and administrative	<u>1,750,235</u>	<u>1,412,230</u>
Operating income before depreciation and amortization	1,963,564	2,460,144
Depreciation and amortization	<u>655,025</u>	<u>658,048</u>
Operating income	<u>1,308,539</u>	<u>1,802,096</u>
Non-operating revenues (expenses)		
Interest income	80,948	81,166
Interest expense	(1,040,756)	(1,073,914)
Investment return, net of amortization of bond premiums	6,125	3,744
Contingent expenses	<u>(334,362)</u>	<u>-</u>
Total non-operating expenses	<u>(1,288,045)</u>	<u>(989,004)</u>
Net income	20,494	813,092
Net Position, Beginning of Year	<u>88,590</u>	<u>(724,502)</u>
Net position, end of year	<u>\$ 109,084</u>	<u>\$ 88,590</u>

**PARKING AUTHORITY OF THE CITY OF TRENTON**  
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STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2016	2015
Cash flows from operating activities		
Parking revenue	\$ 3,654,153	\$ 3,944,400
Rental income	29,500	29,200
General and administrative expenses	<u>(1,445,405)</u>	<u>(1,401,508)</u>
Net cash provided by operating activities	<u>2,238,248</u>	<u>2,572,092</u>
Cash flows from investing activities		
Non-operating interest income	87,068	84,905
Purchase of investments, net	<u>(7,342)</u>	<u>614</u>
Net cash provided by investing activities	<u>79,726</u>	<u>85,519</u>
Cash flows from capital and related financing activities		
Repayment of borrowings	(1,380,000)	(1,355,000)
Purchases of property and equipment	(13,021)	(40,738)
Non-operating interest expense	(1,050,953)	(1,081,228)
Construction advances	(290,082)	(52,300)
Net cash used in financing activities	<u>(2,734,056)</u>	<u>(2,529,266)</u>
Net (decrease) increase in cash and cash equivalents	(416,082)	128,345
Cash and cash equivalents, beginning of year	<u>3,359,059</u>	<u>3,230,714</u>
Cash and cash equivalents, end of year	<u>\$ 2,942,977</u>	<u>\$ 3,359,059</u>
Cash and cash equivalents, unrestricted	\$ 280,459	\$ 686,598
Cash and cash equivalents, restricted	<u>2,662,518</u>	<u>2,672,461</u>
	<u>\$ 2,942,977</u>	<u>\$ 3,359,059</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 1,308,539	\$ 1,802,096
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	580,709	583,627
Amortization	74,316	74,421
Bad debt (recovery)/expense	(24,000)	10,000
Changes in assets and liabilities		
Pension contribution	(21,363)	(32,982)
Accounts receivable	93,653	(4,979)
Prepaid expenses and deposits	72	(7,676)
Accrued interest receivable	1,453	(4,359)
Accounts payable	(15,046)	38,395
Accrued liabilities	338,423	16,273
Deferred revenue	<u>(98,508)</u>	<u>97,276</u>
Net cash provided by operating activities	<u>\$ 2,238,248</u>	<u>\$ 2,572,092</u>



## **PARKING AUTHORITY OF THE CITY OF TRENTON**

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

### NOTES TO FINANCIAL STATEMENTS

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#### **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**  
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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 amount 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 amount 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>2016</u>	<u>2015</u>
Invested in capital assets, net of related debt	\$ (4,643,342)	\$ (5,347,252)
Unrestricted net position	<u>435,463</u>	<u>1,107,795</u>
Deficit	<u>\$ (4,207,879)</u>	<u>\$ (4,239,457)</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.

**Reclassification of Prior Year Balances**

Certain prior year balances have been reclassified to conform with current year's presentation.

**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, 2016 and 2015, the Authority's bank balances were exposed to custodial credit risk as follows:

	June 30,	
	2016	2015
Insured and Collateralized	\$ 529,870	\$ 574,878
Uninsured and Collateralized	2,527,920	2,778,368
Total	<u>\$ 3,057,790</u>	<u>\$ 3,353,246</u>

**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.

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NOTES TO FINANCIAL STATEMENTS

**B. CASH AND CASH EQUIVALENTS (CONTINUED)**

**Deposits (Continued)**

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, 2016 and 2015.

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 Restricted Assets on the statement of net position. Unrestricted investments are held by the Authority's investment advisors and are carried at fair value.

*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, 2016 and 2015:

	June 30, 2016			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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>
	June 30, 2015			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Available for sale securities	\$ 2,954,354	\$ 2,954,354	\$ -	\$ -
Total	<u>\$ 2,954,354</u>	<u>\$ 2,954,354</u>	<u>\$ -</u>	<u>\$ -</u>

**D. CONCENTRATION OF RISK**

Revenues collected from the State of New Jersey were 52% and 45% of total parking revenues for the years ended June 30, 2016 and 2015, respectively. Any additional substantial decrease in these revenues could have a material effect on the operations of the Authority.

**PARKING AUTHORITY OF THE CITY OF TRENTON**  
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NOTES TO FINANCIAL STATEMENTS

**E. PROPERTY AND EQUIPMENT**

Property and equipment for the years ended June 30, 2016 and 2015, consist of the following:

	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>
	June 30, 2014	Additions	Deletions	June 30, 2015
Land	\$ 1,788,122	\$ -	\$ -	\$ 1,788,122
Buildings	26,460,016	-	-	26,460,016
Improvements	1,941,405	34,989	-	1,976,394
Furniture and fixtures	116,519	5,749	-	122,268
Automotive equipment	16,156	-	-	16,156
Subtotal	<u>30,322,218</u>	<u>40,738</u>	<u>-</u>	<u>30,362,956</u>
Less accumulated depreciation	<u>6,207,443</u>	<u>583,627</u>	<u>-</u>	<u>6,791,070</u>
Total property and equipment	<u>\$ 24,114,775</u>	<u>\$ (542,889)</u>	<u>\$ -</u>	<u>\$ 23,571,886</u>

Depreciation expense charged to operations was \$580,709 and \$583,627 for the years ended June 30, 2016 and 2015, 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.

**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 THE CITY OF TRENTON**  
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NOTES TO FINANCIAL STATEMENTS

**F. BONDS PAYABLE (CONTINUED)**

Series	Issue Date	Interest Rates	Amount of Original Issue
Parking Revenue (Series 2006)	3/7/06	5.26%- 5.50%	\$ 4,520,000
Parking Revenue (Series 2013A)	3/7/13	1.50%- 4.00%	19,295,000
Parking Revenue (Series 2013B)	3/7/13	1.50%- 4.00%	<u>9,030,000</u>
Total			<u>\$ 32,845,000</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 2013)	<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>

Series	June 30, 2014	Additions	Deletions	June 30, 2015
Parking Revenue (Series 2006)	\$ 3,945,000	\$ -	\$ 115,000	\$ 3,830,000
Parking Revenue Refunding (Series 2013)	<u>27,475,000</u>	-	<u>1,240,000</u>	<u>26,235,000</u>
Total	<u>31,420,000</u>	-	<u>1,355,000</u>	<u>30,065,000</u>
Less current portion	<u>1,355,000</u>	<u>1,380,000</u>	<u>1,355,000</u>	<u>1,380,000</u>
Bonds payable, net of current portion	<u>\$30,065,000</u>	<u>\$ (1,380,000)</u>	<u>\$ -</u>	<u>\$ 28,685,000</u>

Total maturities of bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,420,000	\$ 1,006,526	\$ 2,426,526
2018	1,470,000	958,466	2,428,466
2019	1,525,000	903,926	2,428,926
2020	1,580,000	847,516	2,427,516
2021	1,625,000	789,376	2,414,376
2022 - 2026	9,120,000	3,040,657	12,160,657
2027 - 2031	9,245,000	1,405,359	10,650,359
2032 - 2034	<u>2,700,000</u>	<u>174,753</u>	<u>2,874,753</u>
Total	<u>\$ 28,685,000</u>	<u>\$ 9,126,579</u>	<u>\$ 37,811,579</u>

**PARKING AUTHORITY OF THE CITY OF TRENTON**  
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NOTES TO FINANCIAL STATEMENTS

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**F. BONDS PAYABLE (CONTINUED)**

**Refunding Bond Issues**

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.

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 being amortized on a straight-line basis over the life of the new debt. Amortization expense for the years ended June 30, 2016 and 2015, was \$7,543.

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, 2016 and 2015, was \$66,777 and \$66,874, respectively.



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NOTES TO FINANCIAL STATEMENTS

**F. BONDS PAYABLE (CONTINUED)**

Refunded bonds outstanding at June 30, 2016, are comprised of the following:

<u>Issue</u>	<u>Principal Amount Outstanding June 30, 2016</u>
2013 Refunding Parking Revenue (Series 2001)	\$ 16,720,000
2013 Refunding Parking Revenue (Series 2003)	<u>7,920,000</u>
	<u>\$ 24,640,000</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 for advanced rental payments exists.

**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 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](http://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.

**PARKING AUTHORITY OF THE CITY OF TRENTON**  
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NOTES TO FINANCIAL STATEMENTS

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**H. PENSION PLAN (CONTINUED)**

**Benefits Provided (Continued)**

<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 July 1, 2007 and prior to May 22, 2010.
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011.
5	Members who were eligible to enroll on or after June 28, 2011.

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> 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 requirements of PERS plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the PERS were required to contribute 5.00% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.50% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased to 6.5% plus an additional 1.00% phased-in over seven years. The phase-in of the additional incremental member contribution amount began July 1, 2012, and increases each subsequent July 1. The active member effective contribution rates were July 1, 2014, 6.92%, July 1, 2013, 6.78%, and July 1, 2012, 6.64%. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

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.

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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**

At June 30, 2016 and 2015, the Authority had a liability of \$772,739 and \$665,913 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, 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 0.0034423526% and 0.0035567095%, respectively, which was a decrease of .0001% and .001% from its proportion measured as of June 30, 2014 and 2013, respectively. For the year ended June 30, 2016 and 2015, the Authority recognized pension expense of 9,652 and (\$2,256), respectively. At June 30, 2016 and 2015, 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	101,421	-	20,940	-
Net difference between projected and actual earnings on pension plan investments	-	12,424	-	39,685
Changes in proportion	-	188,355	-	208,519
Authority contributions subsequent to the measurement date	<u>31,015</u>	<u>-</u>	<u>30,732</u>	<u>-</u>
	<u>\$ 132,436</u>	<u>\$ 200,779</u>	<u>\$ 51,672</u>	<u>\$ 248,204</u>

\$31,015 and \$30,732 was reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30, :

	<u>PERS</u>
2016	\$ 16,202
2017	16,202
2018	16,202
2019	25,804
2020	<u>14,587</u>
	<u>\$ 88,997</u>

**Actuarial Assumptions**

The total pension liability in the June 30, 2015 (measurement date), actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.04%
Salary increases: 2012-2021	2.15-4.40% (based on age)
Salary increases: Thereafter	3.15-5.40% (based on age)
Investment rate of return	7.90%

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NOTES TO FINANCIAL STATEMENTS

**H. PENSION PLAN (CONTINUED)**

For PERS, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

In accordance with State statute, the long term expected rate of return on plan investments (7.09% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rate 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 real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 and 2014 (measurement date), are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 %
	<u>100.00 %</u>	

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NOTES TO FINANCIAL STATEMENTS

**H. PENSION PLAN (CONTINUED)**

**PERS**

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, 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 contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Schedule of Required Supplementary Information**  
**Schedule of Authority's Proportionate Share of the Net Pension Liability**  
**PERS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability	0.0034423526%	0.0035567095%	0.0048483066%
Authority's proportionate share of the net pension liability	\$ 772,739	\$ 665,913	\$ 926,608
Authority's covered-employee payroll	403,280	411,674	438,211
Authority's proportionate share of the net pension liability as a percentage of payroll	1.916 %	1.618 %	2.115 %
Plan fiduciary net position as a percentage of the total pension liability	47.93 %	52.08 %	48.72 %
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 29,595	\$ 29,321	\$ 36,531
Contributions in relation to the contractually required contribution	31,015	30,732	31,175
Authority's covered-employee payroll	403,280	411,674	438,211
Contributions as a percentage of covered employee payroll	8 %	7 %	7 %

**PARKING AUTHORITY OF THE CITY OF TRENTON**

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

NOTES TO FINANCIAL STATEMENTS

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**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 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. Three employees were receiving benefits as of June 30, 2016, 2015 and 2014, 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](http://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.

**J. SUBSEQUENT EVENTS**

In September 2016, the Authority issued \$3,735,000 Parking Revenue Refunding Bonds (City Guaranteed) Series 2016A and \$16,965,000 Parking Revenue and Refunding Bonds (City Guaranteed) Series 2016B consisting of \$16,250,000 Parking Revenue Refunding Bonds (City Guaranteed) Series 2016 and \$715,000 Parking Revenue Bond (City Guaranteed) Series 2016, at interest rates varying from 1.6 - 3.590%, maturing through October 1, 2026.

## **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, 2016		June 30, 2015
	(Unaudited) Budget	Audited Actual	Audited Actual
<b>Revenues</b>			
Parking revenues	\$ 3,901,000	\$ 3,684,299	\$ 3,843,173
Rental income	29,000	29,500	29,200
Total revenues	<u>\$ 3,930,000</u>	<u>\$ 3,713,799</u>	<u>\$ 3,872,373</u>
<b>Expenses</b>			
Payroll	\$ 394,500	\$ 403,280	\$ 411,674
Heat, light and water	140,000	91,285	104,107
Facilities maintenance	210,000	726,053	254,994
Parking tickets	2,000	3,616	1,766
Laundry and uniforms	1,000	1,140	2,901
Insurance	170,000	184,417	167,053
Telephone	25,000	25,359	26,566
Office expenses	51,500	50,827	49,273
Fringe benefits	192,000	170,055	153,754
Professional fees	77,500	96,315	91,210
Consulting Fees	138,000	10,162	128,585
Travel, meetings and workshops	8,500	6,210	3,598
Miscellaneous expenses	20,000	5,516	6,749
Bad debt (recovery)/expense	-	(24,000)	10,000
Total expenses	1,430,000	1,750,235	1,412,230
Interest expense - bonds	1,050,947	1,040,755	1,073,914
<b>Other costs funded by operating revenues</b>			
Principal maturity	1,355,000	1,380,000	1,355,000
Capital outlays	1,380,000	303,103	93,038
Unreserved retained earnings	(1,285,947)	(760,294)	(61,809)
Total costs funded by operating revenues	<u>\$ 3,930,000</u>	<u>\$ 3,713,799</u>	<u>\$ 3,872,373</u>



**PARKING AUTHORITY OF THE CITY OF TRENTON, NEW JERSEY**  
**SCHEDULE OF REVENUES AND EXPENSES BY GARAGE**

Year Ended June 30, 2016

	Broad & Front	Lafayette	Liberty Commons	Merchant	Warren & Hanover	Total
<b>Revenues</b>						
Parking revenues	\$ 164,005	\$ 1,335,865	\$ 914,618	\$ 410,473	\$ 859,338	\$ 3,684,299
Rental income	-	-	-	-	29,500	29,500
Total revenues	<u>164,005</u>	<u>1,335,865</u>	<u>914,618</u>	<u>410,473</u>	<u>888,838</u>	<u>3,713,799</u>
<b>Operating Expenses</b>						
Payroll	-	164,057	91,781	80,283	67,158	403,280
Heat, light and water	3,536	21,515	17,986	5,840	42,407	91,285
Facilities maintenance	516,494	66,076	57,901	11,101	74,481	726,053
Parking tickets	-	1,800	1,816	-	-	3,616
Laundry and uniforms	-	203	203	203	532	1,140
Insurance	37,363	53,352	50,789	4,094	38,819	184,417
Telephone	-	10,005	5,755	3,232	6,366	25,359
Office expense	-	11,151	11,326	5,516	22,834	50,827
Fringe benefits	-	75,236	39,709	33,560	21,549	170,055
Professional fees	6,000	22,483	22,483	22,483	22,865	96,315
Consulting fees	2,549	1,900	1,913	1,900	1,900	10,162
Travel, meetings and workshops	-	375	375	365	5,095	6,210
Miscellaneous expense	-	1,086	1,375	1,086	1,971	5,516
Bad debt recovery	-	-	(24,000)	-	-	(24,000)
Total Operating Expenses	<u>565,943</u>	<u>429,240</u>	<u>279,411</u>	<u>169,663</u>	<u>305,978</u>	<u>1,750,235</u>
Operating income before depreciation and amortization	(401,938)	906,625	635,207	240,810	582,859	1,963,564
Depreciation and amortization	<u>23,239</u>	<u>285,023</u>	<u>264,589</u>	<u>12,787</u>	<u>69,387</u>	<u>655,025</u>
Operating Income	<u>(425,177)</u>	<u>621,602</u>	<u>370,618</u>	<u>228,023</u>	<u>513,474</u>	<u>1,308,539</u>
<b>Non-Operating Revenues (Expenses)</b>						
Bond interest income	-	20,237	20,237	20,237	20,237	80,948
Investment return, net	-	1,531	1,531	1,531	1,532	6,125
Interest expense	(327,380)	(282,968)	(253,084)	(50,274)	(127,051)	(1,040,756)
Broad and Front Contingency	<u>(334,362)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(334,362)</u>
Total Non-Operating Revenues (Expenses)	<u>(661,742)</u>	<u>(261,200)</u>	<u>(231,316)</u>	<u>(28,506)</u>	<u>(105,282)</u>	<u>(1,288,045)</u>
Net Income (Loss)	<u>\$ (1,086,919)</u>	<u>\$ 360,402</u>	<u>\$ 139,302</u>	<u>\$ 199,517</u>	<u>\$ 408,192</u>	<u>\$ 20,494</u>

## **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, 2016

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#### **Finding 2016-001**

##### Criteria

Management is responsible for establishing and maintaining effective internal control over the revenue recognition and the cash deposit and reconciliation functions.

##### 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 were not completed timely to identify the issue.

##### Cause

Inadequate segregation of duties in the cash receipts process and ineffective review of reconciliations of cash receipts to system revenue reports.

##### Effect

Misappropriation of parking revenue receipts occurred during the fourth quarter of fiscal 2015 and first month of fiscal 2016.

##### Recommendation

We recommend that the Authority establish written internal control policies and procedures regarding proper collection, reconciliation and deposit of parking revenue cash receipts. Management should also review deposit activity on a daily basis for any variances. Lastly, management approval of any variances (amount or timing of deposits) should be maintained and communicated to the Board of Commissioners.

#### **Finding 2016-002**

##### 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 74 of 226 deposits tested.

##### Cause

Inadequate 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 monitor its compliance with the rules and regulations mandated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services.

## **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, 2016

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#### **Finding 2016-003**

##### Criteria

Management is responsible for establishing and maintaining effective internal control over the purchasing function.

##### Condition

During testing of fiscal year 2015 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.

##### Cause

Inadequate segregation of duties and lack of adherence to purchasing policies.

##### Effect

An opportunity exists for purchases of goods or services without proper review and approval of management. Additionally, the possibility of noncompliance with local public contracts law and misstatement of expense accounts due to improper cutoff at year end.

##### Recommendation

We recommend that the Authority establish written internal control policies and procedures to utilize sequentially numbered purchase requisitions and purchase orders in its expenditure transactions. This will allow for management to properly review, approve and record expenditure transactions prior to the check cutting process.

##### Management's Response to Findings

Management is in agreement with the findings and will prepare a corrective action plan to address these findings.

**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, 2016

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**Finding 2015-001**

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 was not completed timely to identify the issue.

Status

This condition still exists as current year finding 2016-001.

**Finding 2015-002**

Condition

Noncompliance with the 48 hour rule for timely deposits of revenues was noted in 15 of 159 deposits tested.

Status

This condition still exists as current year finding 2016-002

**Finding 2015-003**

Condition

During testing of fiscal year 2015 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 2016-003.

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

ROSTER OF OFFICIALS

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<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
Duncan Harrison	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 Authority as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 16, 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of current year findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of current year findings and recommendations, finding 2016-001, to be a material weakness.

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CERTIFIED PUBLIC ACCOUNTANTS

• NEW JERSEY SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

• NEW YORK SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

• PENNSYLVANIA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

• REGISTERED WITH THE PCAOB

**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)**

**Internal Control over Financial Reporting (Continued)**

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. We consider the deficiencies described in the accompanying schedule of current year findings and recommendations, findings 2016-002 and 2016-003, to be significant deficiencies.

**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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of current year findings and recommendations as finding 2016-002.

**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.

*Mercedien, P.C.*  
*Certified Public Accountants*

March 16, 2017