

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, 2015

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

Cash and cash equivalents as of June 30, 2015 were \$3,359,059, an increase of 3.97% from the balance as of June 30, 2014.

Total liabilities as of June 30, 2015 were \$31,200,817, a decrease of 4.50% from the balance as of June 30, 2014. The Authority repaid \$1,355,000 in debt during the fiscal year ended June 30, 2015.

Total revenues were slightly over budget by \$104,373 primarily due to the revenues from the licensing agreement with PSE&G for repair and use of the Broad and Front Street garage.

Financial Analysis of the Authority

The Authority's total net position was approximately \$0.1 million as of June 30, 2015. In fiscal year 2015, total assets and deferred outflows of resources decreased approximately 1% to \$31.5 million, and total liabilities decreased approximately 4% to \$31.4 million. Total net position as of June 30, 2014, was approximately \$(0.7) 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 2% to \$31.9 million, and total liabilities decreased approximately 1% to \$32.7 million. Changes in assets, liabilities and net position between June 30, 2015, 2014 and 2013, 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, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change 2015-2014</u>
Current assets	\$ 6,503,751	\$ 6,369,006	\$ 6,576,992	2
Capital assets, net	23,571,886	24,114,775	24,623,361	(2)
Other assets	52,300	-	13,923	100
Deferred outflows of resources	<u>1,409,674</u>	<u>1,463,593</u>	<u>1,508,507</u>	(4)
Total assets and deferred outflows of resources	<u>31,537,611</u>	<u>31,947,374</u>	<u>32,722,783</u>	(1)
Long-term debt	28,685,000	30,065,000	31,420,000	(5)
Other liabilities	2,515,817	2,606,876	1,559,656	(3)
Deferred inflows of resources	<u>248,204</u>	<u>-</u>	<u>-</u>	100
Total liabilities and deferred inflows of resources	<u>31,449,021</u>	<u>32,671,876</u>	<u>32,979,656</u>	(4)
Net position				
Restricted for				
Debt service	3,388,746	3,598,174	3,593,387	(6)
Renewal and Replacement	939,301	939,301	939,301	-
Other	-	-	77,228	-
Deficit	<u>(4,239,457)</u>	<u>(5,261,977)</u>	<u>(4,866,789)</u>	(19)
Total net position	<u>\$ 88,590</u>	<u>\$ (724,502)</u>	<u>\$ (256,873)</u>	112

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 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% over fiscal year 2014. The Authority's total parking revenue for fiscal year 2014 was \$3.413 million, a 3% decrease over fiscal year 2013. The Authority's total operating expenses for fiscal year 2014 were \$1.94 million, a decrease of 20% from fiscal year 2013. The Authority's operating income for fiscal year 2014 was \$1.50 million, an increase of approximately 35% from fiscal year 2013. The following table summarizes the changes in revenue, expenses and net position between the fiscal years of 2015, 2014 and 2013.

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 2015-2014
	June 30, 2015	June 30, 2014	June 30, 2013	
Operating Revenues:				
Parking Revenue	\$ 3,843,173	\$ 3,413,313	\$ 3,515,902	13
Other Revenue	29,200	29,700	30,200	(2)
Total Operating Revenues	<u>3,872,373</u>	<u>3,443,013</u>	<u>3,546,102</u>	12
Non-Operating Revenues				
Interest Income	81,166	81,166	81,055	-
Investment Return, net of Amortization of Bond Premiums	3,744	747	18,296	401
Total Revenues	<u>3,957,283</u>	<u>3,524,926</u>	<u>3,645,453</u>	12
Operating Expenses:				
Payroll and Fringe Benefits	565,428	587,835	661,253	(4)
Depreciation and Amortization	658,048	691,201	885,611	(5)
Other Operating Expenses	846,802	665,713	912,436	27
Total Operating Expenses	<u>2,070,278</u>	<u>1,944,749</u>	<u>2,459,300</u>	6
Non-Operating Expenses/Loss				
Interest Expense	1,073,914	-	793,856	100
Loss on asset impairment	-	-	3,503,307	-
Total Expenses/Loss	<u>3,144,192</u>	<u>1,944,749</u>	<u>6,756,463</u>	62
Change in Net Position	813,092	458,979	(565,238)	(77)
Net Position, Beginning of Year	(724,502)	(256,873)	4,147,783	182
Prior Period Adjustment	-	(926,608)	-	100
Net Position, End of Year	<u>\$ 88,590</u>	<u>\$ (724,502)</u>	<u>\$ 3,582,545</u>	112

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, 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 last year. At June 30, 2014, the Authority had a total of \$30,322,218 invested in property and equipment relating primarily to its parking facilities. The total represents a slight increase from 2013. The following table summarizes the changes in capital assets, net of depreciation, between the fiscal years 2015, 2014 and 2013.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change 2015-2014</u>
Land	\$ 1,788,122	\$ 1,788,122	\$ 1,788,122	-
Buildings	26,460,016	26,460,016	26,460,016	-
Improvements	1,976,394	1,941,405	1,834,879	2
Furniture and Fixtures	122,268	116,519	116,519	5
Automotive Equipment	<u>16,156</u>	<u>16,156</u>	<u>16,156</u>	-
	30,362,956	30,322,218	30,215,692	-
Less: Accumulated Depreciation	<u>(6,791,070)</u>	<u>(6,207,443)</u>	<u>(5,592,331)</u>	9
Total Capital Assets, Net	<u>\$ 23,571,886</u>	<u>\$ 24,114,775</u>	<u>\$ 24,623,361</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 2015, 2014 and 2013:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change 2015-2014</u>
Bonds Payable	<u>\$ 30,065,000</u>	<u>\$ 31,420,000</u>	<u>\$ 32,626,008</u>	(4)

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

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, 2015 and 2014, 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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- NEW YORK SOCIETY 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, 2015 and 2014, 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.

Emphasis of Matter

As discussed in Note H to the financial statements, in 2015 the Authority adopted new accounting guidance Governmental Accounting Standards Board ("GASB") Statement No. 68 - Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and Statement No. 71- Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Matters (Continued)

Supplementary Information (Continued)

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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2016 and October 23, 2014, for the years ended June 30, 2015 and 2014, respectively, 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.

Mercadien, P.C.

Certified Public Accountants

**MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**

March 2, 2016

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 years ended June 30, 2015 and 2014 and the related notes to financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 2, 2016.

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 2015-001, to be a material weakness.

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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 2015-002 and 2015-003, 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 2015-002.

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.

Mercadien, P.C.

Certified Public Accountants

**MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**

March 2, 2016

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

STATEMENT OF NET POSITION

	June 30,	
	<u>2015</u>	<u>2014</u>
ASSETS		
Current unrestricted assets		
Cash and cash equivalents	\$ 686,598	\$ 349,021
Investments	1,298,768	1,299,183
Accounts receivable, net of allowance for doubtful accounts of \$79,500 in 2015 and \$69,500 in 2014	107,449	112,470
Accrued interest receivable	26,357	21,998
Prepaid expenses	<u>56,532</u>	<u>48,856</u>
Total current unrestricted assets	<u>2,175,704</u>	<u>1,831,528</u>
Restricted assets		
Cash and cash equivalents		
Current debt service account	690,409	980,807
Reserve account	1,042,751	961,585
Renewal and replacement account	<u>939,301</u>	<u>939,301</u>
Subtotal	2,672,461	2,881,693
Investments in debt securities	<u>1,655,586</u>	<u>1,655,785</u>
Total restricted assets	<u>4,328,047</u>	<u>4,537,478</u>
Non-current assets		
Property and equipment, net	23,571,886	24,114,775
Construction advances	<u>52,300</u>	<u>-</u>
Total assets	<u>\$ 30,127,937</u>	<u>\$ 30,483,781</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contribution	\$ 51,672	\$ 31,175
Loss on refunding of bonds	<u>1,358,002</u>	<u>1,432,418</u>
Total deferred outflows of resources	<u>\$ 1,409,674</u>	<u>\$ 1,463,593</u>

PARKING AUTHORITY OF THE CITY OF TRENTON
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STATEMENT OF NET POSITION (CONTINUED)

	June 30,	
	2015	2014
LIABILITIES		
Current liabilities payable from unrestricted assets		
Accounts payable	\$ 41,698	\$ 3,303
Accrued liabilities	64,625	48,352
Unearned revenue	99,142	1,866
Total current liabilities payable from unrestricted assets	205,465	53,521
Current liabilities payable from restricted assets		
Bonds payable - current portion	1,380,000	1,355,000
Accrued interest payable on bonds	264,439	271,747
Total current liabilities payable from restricted assets	1,644,439	1,626,747
Total current liabilities	1,849,904	1,680,268
Non-current liabilities		
Net pension liability	665,913	926,608
Long-term portion of bonds payable	28,685,000	30,065,000
Total non-current liabilities	29,350,913	30,991,608
Total liabilities	\$ 31,200,817	\$ 32,671,876
 DEFERRED INFLOWS OF RESOURCES		
Pension - change in proportion	\$ 248,204	\$ -
Total deferred inflows of resources	\$ 248,204	\$ -
 NET POSITION		
Restricted for:		
Debt service	\$ 3,388,746	\$ 3,598,174
Renewal and replacement	939,301	939,301
Deficit	(4,239,457)	(5,261,977)
Total net position	\$ 88,590	\$ (724,502)

PARKING AUTHORITY OF THE CITY OF TRENTON
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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>Years Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Operating revenues		
Parking revenues	\$ 3,843,173	\$ 3,413,313
Rental income	<u>29,200</u>	<u>29,700</u>
Total revenues	3,872,373	3,443,013
Operating expenses		
General and administrative	<u>1,412,230</u>	<u>1,253,548</u>
Operating income before depreciation and amortization	2,460,144	2,189,465
Depreciation and amortization	<u>658,048</u>	<u>691,201</u>
Operating income	<u>1,802,096</u>	<u>1,498,264</u>
Non-operating revenues (expenses)		
Interest income	81,166	81,166
Interest expense	(1,073,914)	(1,121,198)
Investment return, net of amortization of bond premiums	<u>3,744</u>	<u>747</u>
Total non-operating expenses	<u>(989,004)</u>	<u>(1,039,285)</u>
Net income	813,092	458,979
Net Position, Beginning of Year	(724,502)	(256,873)
Prior Period Adjustment	<u>-</u>	<u>(926,608)</u>
Net position, beginning of year, as restated	<u>(724,502)</u>	<u>(1,183,481)</u>
Net position, end of year	<u>\$ 88,590</u>	<u>\$ (724,502)</u>

PARKING AUTHORITY OF THE CITY OF TRENTON
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STATEMENT OF CASH FLOWS

	Years Ended June 30,	
	2015	2014
Cash flows from operating activities		
Parking revenue	\$ 3,944,400	\$ 3,401,836
Rental income	29,200	29,700
Investment return	-	1,764
General and administrative expenses	<u>(1,401,508)</u>	<u>(1,291,948)</u>
Net cash provided by operating activities	<u>2,572,092</u>	<u>2,141,352</u>
Cash flows from investing activities		
Non-operating interest income	84,905	81,166
Purchase of investments, net	<u>614</u>	<u>(1,764)</u>
Net cash provided by investing activities	<u>85,519</u>	<u>79,402</u>
Cash flows from capital and related financing activities		
Repayment of borrowings	(1,355,000)	(1,206,008)
Purchases of property and equipment	(40,738)	(106,526)
Non-operating interest expense	(1,081,228)	(1,139,319)
Construction advances	<u>(52,300)</u>	<u>13,921</u>
Net cash used in financing activities	<u>(2,529,266)</u>	<u>(2,437,932)</u>
Net increase (decrease) in cash and cash equivalents	128,345	(217,178)
Cash and cash equivalents, beginning of year	<u>3,230,714</u>	<u>3,447,892</u>
Cash and cash equivalents, end of year	<u>\$ 3,359,059</u>	<u>\$ 3,230,714</u>
Cash and cash equivalents, unrestricted	\$ 686,598	\$ 349,021
Cash and cash equivalents, restricted	<u>2,672,461</u>	<u>2,881,693</u>
	<u>\$ 3,359,059</u>	<u>\$ 3,230,714</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 1,802,096	\$ 1,498,264
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	583,627	615,112
Amortization	74,421	76,089
Bad debt expense/(recovery)	10,000	(137,283)
Changes in assets and liabilities		
Pension contribution	(32,982)	(30,428)
Accounts receivable	(4,979)	128,385
Prepaid expenses and deposits	(7,676)	451
Accrued interest receivable	(4,359)	1,018
Accounts payable	38,395	(2,507)
Accrued liabilities	16,273	(5,169)
Deferred revenue	<u>97,276</u>	<u>(2,580)</u>
Net cash provided by operating activities	<u>\$ 2,572,092</u>	<u>\$ 2,141,352</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 three months 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.
Rebate fund	Withdrawals only.	Required draws for rebatable arbitrage.

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 J of these audited financial statements.

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>2015</u>	<u>2014</u>
Invested in capital assets, net of related debt	\$ (5,347,252)	\$ (6,144,554)
Unrestricted net position	<u>1,107,795</u>	<u>882,577</u>
(Deficit) Unrestricted	<u>\$ (4,239,457)</u>	<u>\$ (5,261,977)</u>

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.

PARKING AUTHORITY OF THE CITY OF TRENTON
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NOTES TO FINANCIAL STATEMENTS

B. CASH AND CASH EQUIVALENTS (CONTINUED)

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, 2015 and 2014, the Authority's bank balances were exposed to custodial credit risk as follows:

	June 30,	
	2015	2014
Insured and Collateralized	\$ 574,878	\$ 574,878
Uninsured and Collateralized	2,778,368	2,682,125
Total	<u>\$ 3,353,246</u>	<u>\$ 3,257,003</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.

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, 2015 and 2014.

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.

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NOTES TO FINANCIAL STATEMENTS

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 Measurements

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

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

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

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

Investments

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

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NOTES TO FINANCIAL STATEMENTS

C. INVESTMENTS (CONTINUED)

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, 2015 and 2014:

	June 30, 2015			
	Total	Level 1	Level 2	Level 3
Available for sale securities	\$ 2,954,354	\$ 2,954,354	\$ -	\$ -
Total	\$ 2,954,354	\$ 2,954,354	\$ -	\$ -

	June 30, 2014			
	Total	Level 1	Level 2	Level 3
Available for sale securities	\$ 2,954,968	\$ 2,954,968	\$ -	\$ -
Total	\$ 2,954,968	\$ 2,954,968	\$ -	\$ -

D. CONCENTRATION OF RISK

Revenues collected from the State of New Jersey were 46% and 39% of total parking revenues for the years ended June 30, 2015 and 2014, respectively. Any additional substantial decrease in these revenues could have a material effect on the operations of the Authority.

E. PROPERTY AND EQUIPMENT

Property and equipment for the years ended June 30, 2015 and 2014, consist of the following:

	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	30,322,218	40,738	-	30,362,956
Less accumulated depreciation	6,207,443	583,627	-	6,791,070
Total property and equipment	\$ 24,114,775	\$ (542,889)	\$ -	\$ 23,571,886

	June 30, 2013	Additions	Deletions	June 30, 2014
Land	\$ 1,788,122	\$ -	\$ -	\$ 1,788,122
Buildings	26,460,016	-	-	26,460,016
Improvements	1,834,879	106,526	-	1,941,405
Furniture and fixtures	116,519	-	-	116,519
Automotive equipment	16,156	-	-	16,156
Subtotal	30,215,692	106,526	-	30,322,218
Less accumulated depreciation	5,592,331	615,112	-	6,207,443
Total property and equipment	\$ 24,623,361	\$ (508,586)	\$ -	\$ 24,114,775

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NOTES TO FINANCIAL STATEMENTS

E. PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense charged to operations was \$583,627 and \$615,112 for the years ended June 30, 2015 and 2014, 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:

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, 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>-</u>	<u>1,240,000</u>	<u>26,235,000</u>
Total	31,420,000	-	1,355,000	30,065,000
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>

Series	June 30, 2013	Additions	Deletions	June 30, 2014
Parking Revenue (Series 2003)	\$ 251,008	\$ -	\$ 251,008	\$ -
Parking Revenue (Series 2006)	4,050,000	-	105,000	3,945,000
Parking Revenue Refunding (Series 2013)	<u>28,325,000</u>	<u>-</u>	<u>850,000</u>	<u>27,475,000</u>
Total	32,626,008	-	1,206,008	31,420,000
Less current portion	<u>1,206,008</u>	<u>1,355,000</u>	<u>1,206,008</u>	<u>1,355,000</u>
Bonds payable, net of current portion	<u>\$31,420,000</u>	<u>\$ (1,355,000)</u>	<u>\$ -</u>	<u>\$ 30,065,000</u>

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NOTES TO FINANCIAL STATEMENTS

F. BONDS PAYABLE (CONTINUED)

Total maturities of bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 1,380,000	\$ 1,050,947	\$ 2,430,947
2017	1,420,000	1,009,933	2,429,933
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 - 2025	8,815,000	3,340,886	12,155,886
2026 - 2030	10,380,000	1,765,768	12,145,768
2031 - 2034	3,495,000	303,491	3,798,491
Total	<u>\$ 30,065,000</u>	<u>\$ 10,180,933</u>	<u>\$ 40,245,933</u>

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, 2015 and 2014, 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.

PARKING AUTHORITY OF THE CITY OF TRENTON
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NOTES TO FINANCIAL STATEMENTS

F. BONDS PAYABLE (CONTINUED)

Refunding Bond Issues (Continued)

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, 2015 and 2013, was \$66,878 and \$68,545, respectively.

Refunded bonds outstanding at June 30, 2015, are comprised of the following:

<u>Issue</u>	<u>Principal Amount Outstanding June 30, 2015</u>
2006 Refunding	
Parking Revenue (Series 2003)	\$ 3,280,000
2013 Refunding	
Parking Revenue (Series 2001)	16,720,000
2013 Refunding	
Parking Revenue (Series 2003)	<u>7,910,000</u>
	<u>\$ 27,910,000</u>

G. COMMITMENTS AND CONTINGENCIES

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

H. PRIOR PERIOD ADJUSTMENT

During fiscal year ended June 30, 2015, there was a change in accounting and financial reporting as a result of GASB Statement No. 68 Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No 27 and Statement No 71 Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No 68. This Statement establishes accounting and financial reporting standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expenses/expenditures. GASB Statement No 68 and 71 are retroactive to the prior reporting period. The adjustment is detailed as follows.

PARKING AUTHORITY OF THE CITY OF TRENTON
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NOTES TO FINANCIAL STATEMENTS

H. PRIOR PERIOD ADJUSTMENT (CONTINUED)

Summary Statement of Net Position
As of June 30, 2014

	Previously Reported	Prior Period Adjustment	Restated
Assets			
Cash, cash equivalents and investments	\$ 6,185,682	\$ -	\$ 6,185,682
Accounts receivable	134,468	-	134,468
Other assets	48,856	-	48,856
Capital assets, net of accumulated depreciation	<u>24,114,775</u>	-	<u>24,114,775</u>
Total assets	<u>\$ 30,483,781</u>	<u>\$ -</u>	<u>\$30,483,781</u>
Deferred outflows of resources			
Pension contribution	\$ -	\$ 31,175	\$ 31,175
Loss on refunding of bonds	1,432,418	-	1,432,418
Total deferred outflows of resources	<u>\$ 1,432,418</u>	<u>\$ 31,175</u>	<u>\$ 1,463,593</u>
Liabilities			
Accounts payable and accrued expenses	\$ 51,655	\$ -	\$ 51,655
Other liabilities	1,866	926,608	928,474
Accrued interest payable	271,747	-	271,747
Bonds payable	<u>31,420,000</u>	-	<u>31,420,000</u>
Total liabilities	<u>31,745,268</u>	<u>(926,608)</u>	<u>32,671,876</u>
Net position	<u>\$ 170,931</u>	<u>\$ (895,433)</u>	<u>\$ (724,502)</u>
Total liabilities and net position	<u>\$ 170,931</u>	<u>\$ (895,433)</u>	<u>\$ (724,502)</u>

Summary Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

	Previously Reported	Prior Period Adjustment	Restated
Revenues			
Parking revenues	\$ 3,413,313	\$ -	\$ 3,413,313
Rental income	29,700	-	29,700
Other income	<u>81,913</u>	-	<u>81,913</u>
Total revenues	<u>3,524,926</u>	<u>-</u>	<u>3,524,926</u>
Expenses			
General and administrative	1,284,723	(31,175)	1,253,548
Other expenses	1,121,198	-	1,121,198
Depreciation and amortization	<u>691,201</u>	-	<u>691,201</u>
Total expenses	<u>3,097,122</u>	<u>(31,175)</u>	<u>3,065,947</u>
Change in net position	427,804	31,175	458,979
Net position - June 30, 2013	<u>(256,873)</u>	<u>(926,608)</u>	<u>(1,183,481)</u>
Net position - June 30, 2014	<u>\$ 170,931</u>	<u>\$ (895,433)</u>	<u>\$ (724,502)</u>

PARKING AUTHORITY OF THE CITY OF TRENTON

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NOTES TO FINANCIAL STATEMENTS

I. 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.

Benefits Provided

The PERS plan provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:38. 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.

Contributions

The contribution requirements of 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. Contributions to PERS from the Authority were \$30,732 and \$31,175 for the years ended June 30, 2015 and 2014, respectively.

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NOTES TO FINANCIAL STATEMENTS

I. PENSION PLAN (CONTINUED)

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

At June 30, 2015 and 2014, the Authority reported a liability of \$665,913 and \$926,608 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 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 June 30, 2014 the Authority's proportion was 0.0035567095%, which was a decrease of .001% from its proportion measured as of June 30, 2013. For the year ended June 30, 2015, the Authority recognized pension expense of (2,256). At June 30, 2015, the Authority reported deferred outflows of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	20,940	-
Net difference between projected and actual earnings on pension plan investments	-	39,685
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	208,519
Authority contributions subsequent to the measurement date	30,732	-
	<u>\$ 51,672</u>	<u>\$ 248,204</u>

\$30,732 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, 2015. 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 ended June 30, 2015-thereafter

	<u>PERS</u>
2015	\$ (6,072)
2016	(6,072)
2017	(6,072)
2018	(6,072)
2019	3,849
Thereafter	1,694
	<u>\$ (18,745)</u>

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

NOTES TO FINANCIAL STATEMENTS

I. PENSION PLAN (CONTINUED)

Actuarial Assumptions

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

Inflation	3.01%
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%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables, with adjustments for mortality improvements from the base year 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 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 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. Best estimates of arithmetic real rates of return of each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.00 %	0.80 %
Core Bonds	1.00 %	2.49 %
Intermediate-Term Bonds	11.20 %	2.26 %
Mortgages	2.50 %	2.17 %
High Yield Bonds	5.50 %	4.82 %
Inflation-Indexed Bonds	2.50 %	3.51 %
Broad US Equities	25.90 %	8.22 %
Developed Foreign Equities	12.70 %	8.12 %
Emerging Market Equities	6.50 %	9.91 %
Private Equities	8.25 %	13.02 %
Hedge Funds/Absolute Return	12.25 %	4.92 %
Real Estate (Property)	3.20 %	5.80 %
Commodities	2.50 %	5.35 %
	100.00 %	

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, 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 recommended 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.

PARKING AUTHORITY OF THE CITY OF TRENTON
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NOTES TO FINANCIAL STATEMENTS

I. PENSION PLAN (CONTINUED)

**Schedule of Required Supplementary Information
Schedule of Authority's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years**

	2014	2013
Authority's proportion of the net pension liability	0.0035567%	0.00484831%
Authority's proportionate share of the net pension liability	\$ 665,913	\$ 926,608
Authority's covered-employee payroll	411,674	438,211
Authority's proportionate share of the net pension liability as a percentage of payroll	1.618 %	2.115 %
Plan fiduciary net position as a percentage of the total pension liability	52.08 %	48.72 %
	2014	2013
Contractually required contribution	\$ 30,732	\$ 31,175
Contributions in relation to the contractually required contribution	30,732	31,175
Authority's covered-employee payroll	411,674	438,211
Contributions as a percentage of covered employee payroll	0.075 %	0.071 %

J. 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, 2015, 2014 and 2013, respectively. The total cost for these post-retirement benefits, included in fringe benefits, were \$18,037, \$19,301 and \$22,060, 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, 2015		June 30, 2014
	(Unaudited) Budget	Audited Actual	Audited Actual
Revenues			
Parking revenues	\$ 3,740,000	\$ 3,843,173	\$ 3,413,313
Rental income	28,000	29,200	29,700
Total revenues	<u>\$ 3,768,000</u>	<u>\$ 3,872,373</u>	<u>\$ 3,443,013</u>
Expenses			
Payroll	\$ 376,500	\$ 411,674	\$ 438,211
Heat, light and water	140,000	104,107	92,176
Facilities maintenance	216,500	254,994	225,423
Parking tickets	2,500	1,766	3,065
Laundry and uniforms	1,000	2,901	390
Insurance	165,000	167,053	163,278
Telephone	25,000	26,566	23,496
Office expenses	36,500	49,273	45,394
Fringe benefits	193,000	153,754	149,624
Professional fees	86,500	91,210	109,599
Consulting Fees	128,000	128,585	129,657
Travel, meetings and workshops	1,000	3,598	1,561
Miscellaneous expenses	7,500	6,749	8,957
Bad debt (recovery)/expense	-	10,000	(137,283)
Total expenses	1,379,000	1,412,230	1,253,548
Interest expense - bonds	1,081,222	1,073,914	1,121,198
Other costs funded by operating revenues			
Principal maturity	1,355,000	1,355,000	1,206,008
Capital outlays	204,000	93,038	92,605
Unreserved retained earnings	(251,222)	(61,809)	(230,346)
Total costs funded by operating revenues	<u>\$ 3,768,000</u>	<u>\$ 3,872,373</u>	<u>\$ 3,443,013</u>

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

Year Ended June 30, 2015

	Broad & Front	Lafayette	Liberty Commons	Merchant	Warren & Hanover	Total
Revenues						
Parking revenues	\$ 236,888	\$ 1,389,278	\$ 862,622	\$ 421,725	\$ 932,660	\$ 3,843,173
Rental income	-	-	-	-	29,200	29,200
Total revenues	<u>236,888</u>	<u>1,389,278</u>	<u>862,622</u>	<u>421,725</u>	<u>961,860</u>	<u>3,872,373</u>
Operating Expenses						
Payroll	-	182,401	83,171	79,787	66,315	411,674
Heat, light and water	-	30,223	30,709	6,493	36,682	104,107
Facilities maintenance	9,982	82,836	68,392	19,660	74,124	254,994
Parking tickets	-	1,766	-	-	-	1,766
Laundry and uniforms	-	692	692	692	824	2,901
Insurance	32,158	48,740	45,833	5,226	35,096	167,053
Telephone	-	10,009	5,892	2,438	8,227	26,566
Office expense	119	12,961	12,148	9,274	14,770	49,273
Fringe benefits	-	67,963	31,416	30,417	23,957	153,754
Professional fees	3,000	19,869	20,054	19,869	28,419	91,210
Consulting fees	7,377	30,320	30,353	26,342	34,194	128,585
Travel, meetings and workshops	-	279	279	259	2,781	3,598
Miscellaneous expense	-	1,550	1,550	1,550	2,100	6,749
Bad debt recovery	-	-	10,000	-	-	10,000
Total Operating Expenses	<u>52,636</u>	<u>489,608</u>	<u>340,489</u>	<u>202,007</u>	<u>327,490</u>	<u>1,412,230</u>
Operating income before depreciation and amortization	<u>184,252</u>	<u>899,670</u>	<u>522,134</u>	<u>219,718</u>	<u>634,370</u>	<u>2,460,143</u>
Depreciation and amortization	23,591	285,257	262,216	13,264	73,719	658,048
Operating Income	<u>160,661</u>	<u>614,413</u>	<u>259,917</u>	<u>206,453</u>	<u>560,652</u>	<u>1,802,096</u>
Non-Operating Revenues (Expenses)						
Bond interest income	-	20,292	20,292	20,292	20,292	81,166
Investment return, net of amortization of bond premiums	-	936	936	936	936	3,744
Interest expense	(337,562)	(292,543)	(261,186)	(51,975)	(130,647)	(1,073,914)
Total Non-Operating Expenses	<u>(337,562)</u>	<u>(271,316)</u>	<u>(239,959)</u>	<u>(30,747)</u>	<u>(109,420)</u>	<u>(989,004)</u>
Net Income (Loss)	<u>\$ (176,902)</u>	<u>\$ 343,097</u>	<u>\$ 19,957</u>	<u>\$ 175,706</u>	<u>\$ 451,233</u>	<u>\$ 813,092</u>

See independent auditors' report.

PARKING AUTHORITY OF THE CITY OF TRENTON

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SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2015

Finding 2015-001

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 was 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 2015.

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) be maintained and communicated to the Board of Commissioners.

Finding 2015-002

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 41 of 149 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

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SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

Year Ended June 30, 2015

Finding 2015-003

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
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SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2014

No matters were reported.

PARKING AUTHORITY OF THE CITY OF TRENTON
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ROSTER OF OFFICIALS

<u>AUTHORITY COMMISSIONERS</u>	<u>POSITION</u>
Harry Reyes	Chairman
Andrew Worek	Vice Chairman
Melody P. Freeman	Commissioner
Scott Rice	Commissioner
Anne LaBate	Commissioner
Duncan Harrison	Commissioner
<u>OTHER OFFICIAL</u>	
Walter Smith	Chief Operating Officer