

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, 2020

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

2020

Cash and cash equivalents as of June 30, 2020, were \$3,079,060, a decrease of approximately 17.2% from the balance as of June 30, 2019.

Total liabilities as of June 30, 2020, were \$25,250,343, a decrease of 6.8% from the balance as of June 30, 2019. The Authority repaid \$1,605,000 in debt during the fiscal year ended June 30, 2020.

Total revenues were below budget by \$437,527 primarily due to a decrease in parking revenues as a result of the statewide lockdowns due to COVID-19 that significantly reduced parking revenues in the fourth quarter of the fiscal year.

2019

Cash and cash equivalents as of June 30, 2019, were \$3,718,470, an increase of approximately 5.0% from the balance as of June 30, 2018.

Total liabilities as of June 30, 2019, were \$27,095,633, a decrease of 7.0% from the balance as of June 30, 2018. The Authority repaid \$1,555,000 in debt during the fiscal year ended June 30, 2019.

Total revenues were slightly above budget by \$67,669 primarily due to an increase in parking revenues.

Financial Analysis of the Authority

2020

The Authority's total net position was \$2,699,450 as of June 30, 2020, which was an increase of 94.3% over the prior year. In fiscal year 2020, total assets and deferred outflows of resources decreased approximately 2% to \$29.1 million, and total liabilities and deferred inflows of resources decreased approximately 6% to \$26.4 million.

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

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

Financial Analysis of the Authority (Continued)

2019

The Authority's total net position was \$1,389,464 as of June 30, 2019. In fiscal year 2019, total assets and deferred outflows of resources decreased approximately 1% to \$29.6 million, and total liabilities and deferred inflows of resources decreased approximately 6% to \$28.1 million.

Changes in assets, liabilities and net position between June 30, 2020, 2019 and 2018, are summarized as follows:

	June 30, 2020	June 30, 2019	June 30, 2018	Dollar Change 2020-2019	Percentage Change 2020-2019
Current assets	\$ 6,134,056	\$ 6,739,889	\$ 6,458,542	\$ (605,833)	(9)%
Capital assets, net	21,162,123	21,703,389	22,217,603	(541,266)	(2)%
Other assets	825,187	-	-	825,187	100 %
Total assets	28,121,366	28,443,278	28,676,145	(321,912)	(1)%
Deferred outflows of resources	1,011,447	1,127,083	1,252,978	(115,636)	(10)%
Total assets and deferred outflows of resources	29,132,813	29,570,361	29,929,123	(437,548)	(1)%
Long-term debt	21,135,000	22,775,000	24,380,000	(1,640,000)	(7)%
Other liabilities	4,115,343	4,320,633	4,748,796	(205,290)	(5)%
Total liabilities	25,250,343	27,095,633	29,128,796	(1,845,290)	(7)%
Deferred inflows of resources	1,183,020	1,085,264	835,468	97,756	9 %
Total liabilities and deferred inflows of resources	26,433,363	28,180,897	29,964,264	(1,747,534)	(6)%
Net position					
Restricted for					
Debt service	4,181,858	4,522,789	4,611,258	(340,931)	(8)%
Renewal and replacement	39,303	203,649	221,943	(164,346)	(81)%
Deficit	(1,521,711)	(3,336,974)	(4,868,342)	1,815,263	54 %
Total net position	\$ 2,699,450	\$ 1,389,464	\$ (35,141)	\$ 1,309,986	94 %

Operating Activities

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

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

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

Operating Activities (Continued)

2020

The Authority's total parking revenue for fiscal year 2020 was \$3.601 million, a 10% decrease from fiscal year 2019. The Authority's total operating expenses for fiscal year 2020 were \$1.92 million, an increase of approximately 1% from fiscal year 2019. The Authority's operating income for fiscal year 2020 was \$1.70 million, a decrease of approximately 19% over fiscal year 2019.

2019

The Authority's total parking revenue for fiscal year 2019 was \$3.980 million, a 1% increase over fiscal year 2018. The Authority's total operating expenses for fiscal year 2019 were \$1.90 million, a decrease of 11% from fiscal year 2018. The Authority's operating income for fiscal year 2019 was \$2.11 million, an increase of approximately 15% from fiscal year 2018.

The following table summarizes the changes in revenue, expenses and net position between the fiscal years of 2020, 2019 and 2018.

	Year Ended			Dollar Change 2020-2019	Percentage Change 2020-2019
	June 30, 2020	June 30, 2019	June 30, 2018		
Operating Revenues:					
Parking Revenue	\$ 3,600,631	\$ 3,980,002	\$ 3,935,532	\$ (379,371)	(10)%
Other Revenue	23,500	25,667	26,500	(2,167)	(8)%
Total Operating Revenues	<u>3,624,131</u>	<u>4,005,669</u>	<u>3,962,032</u>	<u>(381,538)</u>	(10)%
Non-Operating Revenues					
Miscellaneous Income	229,425	-	-	229,425	100 %
Interest Income	83,967	126,877	63,847	(42,910)	(34)%
Investment Return	77,950	26,999	30,357	50,951	189 %
Total Revenues	<u>4,015,473</u>	<u>4,159,545</u>	<u>4,056,236</u>	<u>(144,072)</u>	(3)%
Operating Expenses:					
Payroll and Fringe Benefits	429,135	480,056	544,865	(50,921)	(11)%
Depreciation and Amortization	627,754	625,408	619,420	2,346	- %
Other Operating Expenses	864,999	793,097	972,325	71,902	9 %
Total Operating Expenses	<u>1,921,888</u>	<u>1,898,561</u>	<u>2,136,610</u>	<u>23,327</u>	1 %
Operating Income	1,702,243	2,107,108	1,825,422	(404,865)	(19)%
Non-Operating Expenses:					
Interest Expense	783,599	836,379	880,508	(52,780)	(6)%
Total Non-Operating Expenses	<u>783,599</u>	<u>836,379</u>	<u>880,508</u>	<u>(52,780)</u>	(6)%
Total Expenses	<u>2,705,487</u>	<u>2,734,940</u>	<u>3,017,118</u>	<u>(29,453)</u>	(1)%
Changes in Net Position	1,309,986	1,424,605	1,039,118	(114,619)	(8)%
Net Position, Beginning of Year	<u>1,389,464</u>	<u>(35,141)</u>	<u>-</u>	<u>1,424,605</u>	4,054 %
Net Position, Beginning of Year, as Restated	<u>-</u>	<u>-</u>	<u>(1,074,259)</u>	<u>-</u>	- %
Net Position, End of Year	<u>\$ 2,699,450</u>	<u>\$ 1,389,464</u>	<u>\$ (35,141)</u>	<u>\$ 1,309,986</u>	94 %

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, 2020, the Authority had a total of \$30,932,304 invested in property and equipment relating primarily to its parking facilities. The total represents an increase of 2.6% from last year. At June 30, 2019, the Authority had a total of \$30,865,309 invested in property and equipment relating primarily to its parking facilities. The total represents an increase of less than 1% from 2018.

The following table summarizes the changes in capital assets, net of depreciation, between the fiscal years 2020, 2019 and 2018.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Dollar Change 2020-2019</u>	<u>Percentage Change 2020-2019</u>
Land	\$ 1,788,122	\$ 1,788,122	\$ 1,788,122	\$ -	- %
Buildings	26,460,016	26,460,016	26,460,016	-	- %
Improvements	2,545,742	2,478,747	2,387,045	66,995	3 %
Furniture and Fixtures	122,268	122,268	122,268	-	- %
Automotive Equipment	16,156	16,156	16,156	-	- %
	<u>30,932,304</u>	<u>30,865,309</u>	<u>30,773,607</u>	<u>66,995</u>	<u>- %</u>
Less: Accumulated Depreciation	<u>(9,770,181)</u>	<u>(9,161,920)</u>	<u>(8,556,004)</u>	<u>608,261</u>	<u>7 %</u>
Total Capital Assets, Net	<u>\$ 21,162,123</u>	<u>\$21,703,389</u>	<u>\$22,217,603</u>	<u>\$ (541,266)</u>	<u>(2)%</u>

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

The following table summarizes the changes in capital debt between the fiscal years of 2020, 2019 and 2018:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Dollar Change 2020-2019</u>	<u>Percentage Change 2020-2019</u>
Bonds Payable	<u>\$ 22,775,000</u>	<u>\$ 24,380,000</u>	<u>\$ 25,935,000</u>	<u>\$(1,605,000)</u>	<u>(7)</u>

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

Contacting the Authority's Management

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

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Parking Authority of the City of Trenton (the "Authority") (a Component Unit of the City of Trenton, State of New Jersey) as of and for the years ended June 30, 2020 and 2019, and the related notes to financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2020 and 2019, 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 and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise the Authority's basic financial statements. The other supplementary information as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary 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. Such 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mercadieu, P.C.

Certified Public Accountants

February 1, 2021

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,	
	2020	2019
ASSETS		
Current unrestricted assets		
Cash and cash equivalents	\$ 342,335	\$ 468,954
Investments	1,389,685	1,356,735
Accounts receivable, net of allowance for doubtful accounts of \$63,212 in 2020 and \$38,747 in 2019	133,892	140,633
Prepaid expenses	46,983	47,129
Total current unrestricted assets	1,912,895	2,013,451
Current restricted assets		
Cash and cash equivalents		
Current debt service account	1,215,369	1,653,409
Reserve account	1,482,053	1,392,458
Renewal and replacement account	39,303	203,649
Subtotal	2,736,725	3,249,516
Investments	1,484,436	1,476,922
Total current restricted assets	4,221,161	4,726,438
Non-current assets		
Property and equipment, net	21,162,123	21,703,389
Construction in process	825,187	-
Total assets	\$ 28,121,366	\$ 28,443,278
 DEFERRED OUTFLOWS OF RESOURCES		
Pension	\$ 58,362	\$ 89,735
OPEB	13,329	15,399
Loss on refunding of bonds	939,756	1,021,949
Total deferred outflows of resources	\$ 1,011,447	\$ 1,127,083

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

	June 30,	
	<u>2020</u>	<u>2019</u>
LIABILITIES		
Current liabilities payable from unrestricted assets		
Accounts payable	\$ 111,054	\$ 15,864
Accrued liabilities	<u>539,173</u>	<u>452,099</u>
Total current liabilities payable from unrestricted assets	<u>650,227</u>	<u>467,963</u>
Current liabilities payable from restricted assets		
Bonds payable - current portion	1,640,000	1,605,000
Accrued interest payable on bonds	<u>186,705</u>	<u>200,264</u>
Total current liabilities payable from restricted assets	<u>1,826,705</u>	<u>1,805,264</u>
Total current liabilities	<u>2,476,932</u>	<u>2,273,227</u>
Non-current liabilities		
Net pension liability	336,064	371,609
Total OPEB liability	605,645	907,724
Long-term portion of bonds payable	21,135,000	22,775,000
Unamortized bond premium	<u>696,702</u>	<u>768,073</u>
Total non-current liabilities	<u>22,773,411</u>	<u>24,822,406</u>
Total liabilities	<u>\$ 25,250,343</u>	<u>\$ 27,095,633</u>

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

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	\$ 301,778	\$ 400,856
OPEB	<u>881,242</u>	<u>684,408</u>
Total deferred inflows of resources	<u>\$ 1,183,020</u>	<u>\$ 1,085,264</u>
 NET POSITION		
Restricted for:		
Debt service	\$ 4,181,858	\$ 4,522,789
Renewal and replacement	39,303	203,649
Deficit	<u>(1,521,711)</u>	<u>(3,336,974)</u>
Total net position	<u>\$ 2,699,450</u>	<u>\$ 1,389,464</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>2020</u>	<u>2019</u>
Operating revenues		
Parking revenues	\$ 3,600,631	\$ 3,980,002
Rental income	<u>23,500</u>	<u>25,667</u>
Total revenues	3,624,131	4,005,669
Operating expenses		
General and administrative	<u>1,294,134</u>	<u>1,273,153</u>
Operating income before depreciation and amortization	2,329,997	2,732,516
Depreciation and amortization	<u>627,754</u>	<u>625,408</u>
Operating income	<u>1,702,243</u>	<u>2,107,108</u>
Non-operating revenues (expenses)		
Interest income	83,967	126,877
Interest expense	(783,599)	(836,379)
Miscellaneous income	229,425	-
Investment return	<u>77,950</u>	<u>26,999</u>
Total non-operating expenses	<u>(392,257)</u>	<u>(682,503)</u>
Changes in net position	1,309,986	1,424,605
Net position, beginning of year	<u>1,389,464</u>	<u>(35,141)</u>
Net position, end of year	<u><u>\$ 2,699,450</u></u>	<u><u>\$ 1,389,464</u></u>

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

STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2020	2019
Cash flows from operating activities		
Parking revenue	\$ 3,607,372	\$ 3,900,123
Rental income	23,500	25,667
General and administrative expenses	(1,318,148)	(1,381,048)
Net cash provided by operating activities	<u>2,312,724</u>	<u>2,544,742</u>
Cash flows from investing activities		
Non-operating interest income	161,919	153,876
Investments purchased	(40,464)	(26,689)
Insurance proceeds	229,421	-
Net cash provided by investing activities	<u>350,876</u>	<u>127,187</u>
Cash flows from capital and related financing activities		
Repayment of borrowings	(1,605,000)	(1,555,000)
Purchases of property and equipment	(805,828)	(91,703)
Non-operating interest expense	(892,182)	(849,734)
Net cash used in financing activities	<u>(3,303,010)</u>	<u>(2,496,437)</u>
Net increase in cash and cash equivalents	(639,410)	175,492
Cash and cash equivalents, beginning of year	<u>3,718,470</u>	<u>3,542,978</u>
Cash and cash equivalents, end of year	<u>\$ 3,079,060</u>	<u>\$ 3,718,470</u>
Cash and cash equivalents, unrestricted	\$ 342,335	\$ 468,954
Cash and cash equivalents, restricted	<u>2,736,725</u>	<u>3,249,516</u>
	<u>\$ 3,079,060</u>	<u>\$ 3,718,470</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 1,702,243	\$ 2,107,108
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	627,754	625,408
Bad debt recovery	24,465	17,932
Changes in assets and liabilities		
Pension	(103,250)	(98,048)
OPEB	(103,175)	(34,766)
Accounts receivable	(17,723)	(102,821)
Prepaid expenses and deposits	146	(91)
Accrued interest receivable	-	5,814
Accounts payable	95,190	(6,799)
Accrued liabilities	87,074	31,809
Deferred revenue	-	(804)
Net cash provided by operating activities	<u>\$ 2,312,724</u>	<u>\$ 2,544,742</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

The 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 ninety days or less.

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

NOTES TO FINANCIAL STATEMENTS

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

Accounts Receivable, Net of Allowance for Doubtful Accounts

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

Property and Equipment and Depreciation

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

Income Taxes

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

Use of Estimates

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

Restricted Accounts

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

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Current debt service account	Amounts needed for accrued bond interest and principal due in the next succeeding fiscal year, as if such principal amounts accrued evenly throughout the year.	Interest and principal payments due on October 1 and April 1.
Reserve account	Amounts needed for maximum annual debt service.	Interest and principal payments not funded by current debt service accounts.
Renewal and replacement account	Withdrawals. Deposits by resolution only.	Authorized draws for costs and unusual or extraordinary maintenance or repairs, renewal and replacement of equipment, the acquisition of capital additions or improvements.

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

NOTES TO FINANCIAL STATEMENTS

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

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows include deferred amounts relating to pensions, other post-employment benefits ("OPEB"), and loss on refunding of bonds. Deferred outflows of resources are a consumption of net position that is applicable to a future reporting period.

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

Deferred charges for defined benefit plans result from the difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on plan investments, changes in the state's proportion of expenses and liabilities to the plans as a whole, differences between the Authority's plan contributions and its proportionate share of contributions, and the Authority's pension and OPEB contributions subsequent to the respective valuation measurement dates.

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 for additional plan information.

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

GASB statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* replaced the requirements of Statement No. 45, and established new accounting and financial reporting requirements for government OPEB plans. The Authority participates in a cost-sharing multiple-employer defined benefit plan sponsored by the State. The Authority records OPEB expense based on billings from the State. See Note I for additional plan information.

Net Position/(Deficit)

Restricted

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

Unrestricted

The unrestricted deficit net position represents resources available for current operating expenses.

	June 30,	
	2020	2019
Deficit invested in capital assets, net of related debt	\$ (731,341)	\$ (2,623,000)
Unrestricted deficit net position	(790,370)	(713,974)
Deficit	<u>\$ (1,521,711)</u>	<u>\$ (3,336,974)</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.

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 first \$250,000 of governmental deposits in each insured depository are protected by the Federal Deposit Insurance Corporation ("FDIC") or the National Credit Union Share Insurance Fund ("NCUSIF"). Public funds in excess of the FDIC or NCUSIF insured amounts are protected by the Governmental Unit Deposit Protection Act ("GUDPA"). Protected public funds include those which are beneficially owned by the governmental unit and collected by it for its use or the use of the public. State and federally chartered banks, savings banks, savings and loan associations, and credit unions having their offices in New Jersey must be certified by the Department of Banking and Insurance (the "Department") for participation in the GUDPA system. GUDPA should not be relied on to protect intermingled trust funds, bail funds, withholdings from an employee's salary or funds which may pass to the local government upon the happening of a future condition.

Each depository participating in the GUDPA system must pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million. The minimum 5% pledge applies to institutions that are categorized as "well capitalized" by federal banking standards. The percentage of the required pledge will increase for institutions that are less than "well capitalized."

No collateral is required for amounts covered by FDIC or NCUSIF insurance. The collateral which may be pledged to support these deposits includes obligations of the state and federal governments, insured securities and other collateral approved by the Department. When the capital position of the depository deteriorates or the depository takes an unusually large amount of public deposits, the Department requires additional collateral to be pledged.

If a governmental depository fails and the FDIC or NCUSIF does not insure or pay out the full amount of public deposits, the collateral pledged to protect these funds would first be liquidated and paid out. If this amount is insufficient, other institutions holding public funds would be assessed pro rata up to 4% of their uninsured public funds. Although these protections do not constitute a 100% guarantee of the safety of all funds, no governmental unit under GUDPA has ever lost protected deposits.

As of June 30, 2020 and 2019, the Authority's bank balances were exposed to custodial credit risk as follows:

	June 30,	
	2020	2019
Insured and Collateralized	\$ 574,878	\$ 824,878
Uninsured and Collateralized	2,503,484	3,144,141
Uninsured and Uncollateralized	436	2,108
Total	<u>\$ 3,078,798</u>	<u>\$ 3,971,127</u>

PARKING AUTHORITY OF THE CITY OF TRENTON
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NOTES TO FINANCIAL STATEMENTS

B. CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party. The Authority's policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount covered by the 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, 2020 and 2019.

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

C. INVESTMENTS

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

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

Fair Value on a Recurring Basis

The table below presents the balances of investments measured at fair value on the statement of net position as of June 30, 2020 and 2019:

	June 30, 2020			
	Total	Level 1	Level 2	Level 3
Available for sale securities	\$ 2,874,120	\$ 2,874,120	\$ -	\$ -
Total	<u>\$ 2,874,120</u>	<u>\$ 2,874,120</u>	<u>\$ -</u>	<u>\$ -</u>

PARKING AUTHORITY OF THE CITY OF TRENTON
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NOTES TO FINANCIAL STATEMENTS

C. INVESTMENTS (CONTINUED)

	June 30, 2019			
	Total	Level 1	Level 2	Level 3
Available for sale securities	\$ 2,833,657	\$ 2,833,657	\$ -	\$ -
Total	<u>\$ 2,833,657</u>	<u>\$ 2,833,657</u>	<u>\$ -</u>	<u>\$ -</u>

D. CONCENTRATION OF RISK

Revenues collected from the State were 82% and 76% of total parking revenues for the years ended June 30, 2020 and 2019, respectively. Any substantial decrease in these revenues could have a material adverse effect on the operations of the Authority.

E. PROPERTY AND EQUIPMENT

Property and equipment for the years ended June 30, 2020 and 2019, consist of the following:

	June 30, 2019	Additions	Deletions	June 30, 2020
Land	\$ 1,788,122	\$ -	\$ -	\$ 1,788,122
Buildings	26,460,016	-	-	26,460,016
Improvements	2,478,747	66,995	-	2,545,742
Furniture and fixtures	122,268	-	-	122,268
Automotive equipment	16,156	-	-	16,156
Subtotal	30,865,309	66,995	-	30,932,304
Less accumulated depreciation	(9,161,920)	(608,261)	-	(9,770,181)
Total property and equipment	<u>\$ 21,703,389</u>	<u>\$ (541,266)</u>	<u>\$ -</u>	<u>\$ 21,162,123</u>

	June 30, 2018	Additions	Deletions	June 30, 2019
Land	\$ 1,788,122	\$ -	\$ -	\$ 1,788,122
Buildings	26,460,016	-	-	26,460,016
Improvements	2,387,045	91,702	-	2,478,747
Furniture and fixtures	122,268	-	-	122,268
Automotive equipment	16,156	-	-	16,156
Subtotal	30,773,607	91,702	-	30,865,309
Less accumulated depreciation	(8,556,005)	(605,915)	-	(9,161,920)
Total property and equipment	<u>\$ 22,217,602</u>	<u>\$ (514,213)</u>	<u>\$ -</u>	<u>\$ 21,703,389</u>

Depreciation expense charged to operations was \$608,261 and \$605,915 for the years ended June 30, 2020 and 2019, respectively.

In addition to the net property and equipment noted in the table above, the Authority also had \$825,187 in construction in process at June 30, 2020. This amount consisted of cumulative invoiced project costs of \$567,802 for the warren street elevator project and \$257,384 for the liberty commons restoration project. Both projects are anticipated to be completed in fiscal year 2021.

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

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NOTES TO FINANCIAL STATEMENTS

F. BONDS PAYABLE

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

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

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

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

Series	June 30, 2019	Additions	Deletions	June 30, 2020
Parking Revenue Refunding (Series 2013B)	\$ 7,205,000	\$ -	\$ 390,000	\$ 6,815,000
Parking Revenue Refunding (Series 2016)	17,175,000	-	1,215,000	15,960,000
Subtotal	24,380,000	-	1,605,000	22,775,000
Less current portion	1,605,000	1,640,000	1,605,000	1,640,000
Bonds payable, net of current portion	<u>\$ 22,775,000</u>	<u>\$ 1,640,000</u>	<u>\$ -</u>	<u>\$ 21,135,000</u>

Series	June 30, 2018	Additions	Deletions	June 30, 2019
Parking Revenue Refunding (Series 2013B)	\$ 7,585,000	\$ -	\$ 380,000	\$ 7,205,000
Parking Revenue Refunding (Series 2016)	18,350,000	-	1,175,000	17,175,000
Subtotal	25,935,000	-	1,555,000	24,380,000
Less current portion	1,555,000	1,605,000	1,555,000	1,605,000
Bonds payable, net of current portion	<u>\$ 24,380,000</u>	<u>\$ (1,605,000)</u>	<u>\$ -</u>	<u>\$ 22,775,000</u>

Total maturities of bonds are as follows:

Years Ending June 30,	Principal	Interest	Total
2021	\$ 1,640,000	\$ 742,546	\$ 2,382,546
2022	1,715,000	685,013	2,400,013
2023	1,780,000	623,755	2,403,755
2024	1,850,000	559,079	2,409,079
2025	1,925,000	490,917	2,415,917
2026 - 2030	10,420,000	1,583,843	12,003,843
2031 - 2034	3,445,000	268,056	3,713,056
Total	<u>\$ 22,775,000</u>	<u>\$ 4,953,209</u>	<u>\$ 27,728,209</u>

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NOTES TO FINANCIAL STATEMENTS

F. BONDS PAYABLE (CONTINUED)

Refunding Bond Issues

In March 2013, the Authority issued \$19,295,000 in Series 2013A and \$9,030,000 in Series 2013B Parking Revenue Refunding Bonds which refunded Series 2001 bonds in the amount of \$18,840,000 and advance-refunded Series 2003 bonds in the amount of \$8,460,000. The net proceeds of \$28,204,066 (after payment of \$493,652 in underwriting fees, insurance and other issuance costs) were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all scheduled interest and principal payments on the Series 2001 Parking Revenue Refunding Bonds and 2003 Parking Revenue Bonds up to and including April 1, 2030 and October 1, 2033, respectively. The portion of Series 2013A Bonds maturing on or after April 1, 2017, is subject to redemption on or after April 1, 2016, and the portion of Series 2013B Bonds maturing on or after October 1, 2023, is subject to redemption on or after October 1, 2022.

As a result of the advance-refunding, the Authority decreased its total debt service requirement by \$1,204,601, which resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$849,942. In addition, the Authority recorded a deferred loss on defeasance, principally representing the difference between the carrying value of the refunded bonds and the re-acquisition price of \$1,370,908. This loss on defeasance is being amortized on a straight-line basis over the life of the new debt.

In September 2016, the Authority issued \$3,735,000 in 2016 Series A and \$16,965,000 in 2016 Series B Parking Revenue Refunding Bonds (consisting of \$16,250,000 Parking Revenue and Refunding Bonds (City Guaranteed) Series 2016 and \$715,000 Parking Revenue Bonds (City Guaranteed) Series 2016). The 2016 Series A were issued to provide funds to be used, together with other available funds of the Authority, to refund \$3,585,000 of the Authority's outstanding 2006 bonds and pay the costs of issuing the 2016 Series A Bonds. The 2016 Series B were issued to provide funds to be used, together with other available funds of the Authority, to refund \$15,725,000 of the Authority's outstanding 2013 Refunding Bonds, finance certain capital improvements to the Authority garages, and pay the costs of issuing the 2016 Series B Bonds. The 2016 Series A and B Bonds were issued at a premium of \$940,498. Bond premium amortization income for the year ended June 30, 2020, was \$62,700. The net proceeds of \$21,429,457 (after payment of \$413,041 in underwriting fees, insurance and other issuance costs) were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all scheduled interest and principal payments on the Series 2013 Parking Revenue Refunding Bonds and 2006 Parking Revenue Refunding Bonds up to and including April 1, 2030 and October 1, 2033, respectively. The 2016 Series A bonds maturing prior to October 1, 2027, are not subject to optional redemption prior to their stated maturities. The 2016 Series A Bonds maturing on or after October 1, 2027, shall be subject to redemption, at the option of the Authority, prior to their stated maturity dates, as a whole or in part (in order of maturity determined by the Authority and by lot within a maturity) at any time on or after October 1, 2026, upon notice, as provided in the General Bond Resolution, at 100% of the principal amount of the Bonds redeemed, plus accrued interest thereon, if any, to the date

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NOTES TO FINANCIAL STATEMENTS

F. BONDS PAYABLE (CONTINUED)

Refunding Bond Issues (Continued)

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

As a result of the advance-refunding, the Authority decreased its total debt service requirement by \$1,475,484, which resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$1,068,668. In addition, the Authority recorded a deferred loss on defeasance, principally representing the difference between the carrying value of the refunded bonds and the re-acquisition price of \$1,247,980. This loss on defeasance is being amortized on a straight-line basis over the life of the new debt. Amortization expense for the year ended June 30, 2020 and 2019, was \$74,650.

Refunded bonds outstanding in escrow at June 30, 2020, are comprised of the following:

<u>Issue</u>	<u>Principal Amount Outstanding June 30, 2020</u>
2016 Refunding	
Parking Revenue (Series 2006)	\$ 3,175,000
Parking Revenue (Series 2013A)	12,700,000
2013 Refunding	
Parking Revenue (Series 2001)	<u>6,815,000</u>
	<u>\$ 22,690,000</u>

G. COMMITMENT AND CONTINGENCY

In prior years the Authority identified additional improvements for the rehabilitation of the Broad and Front Street garage that far exceeded initial project budget estimates. The Board determined that the additional improvements were cost prohibitive and discontinued the project. As a result, a contingent liability of \$334,362 existed at June 30, 2020 and 2019, for advanced rental payments.

During fiscal year 2020, the Authority engaged in a two-phase contract for elevator repairs at the Warren Street garage for a total expected cost of \$938,482, including Board approved change orders. Estimated costs to complete the project totaled \$468,608 at June 30, 2020. Due to reduced revenues in 2020 and projected revenue in 2021 resulting from the impacts of COVID-19, the Authority initiated discussions with the contractor to settle the incomplete portions of the project for \$80,000. This reflected approximately 20% of the remaining project costs, net of any retainage payable or other adjustments. A contingent liability for the settlement amount was recorded as of June 30, 2020, with final Board approval of the settlement or continuation of project pending.

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NOTES TO FINANCIAL STATEMENTS

H. PENSION PLAN

Some of the Authority's employees participate in the Public Employees' Retirement System ("PERS") plan administered by the New Jersey Division of Pensions and Benefits (the "Division"). In addition, some 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 Division. 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 the Division's Comprehensive Annual Financial Report ("CAFR") which can be found at <http://www.nj.gov/treasury/pensions/financial-reports.shtml>.

DCRP is a multiple-employer defined contribution pension fund established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a) et seq., and is a governmental plan within the meaning of IRC 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in PERS after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010, who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

Benefits Provided

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

The following represents the membership tiers for PERS:

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

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NOTES TO FINANCIAL STATEMENTS

H. PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for their respective tier.

For DCRP, eligible members are provided with a defined contribution retirement plan intended to qualify for favorable federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan, and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non-forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in state fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of fifteen years beginning with the payments due in the fiscal year ended June 30, 2012, and will be adjusted by the rate of return on the actuarial value of assets.

The Authority is billed annually for its normal contribution plus any accrued liability. The contributions to PERS from the Authority were \$19,799 and \$20,469 for the years ended June 30, 2020 and 2019, respectively.

The DCRP contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Authority contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

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NOTES TO FINANCIAL STATEMENTS

H. PENSION PLAN (CONTINUED)

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

At June 30, 2020 and 2019, the Authority had a liability of \$336,064 and \$371,609 for its proportionate share of the net pension liability, respectively. The June 30, 2020, net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The June 30, 2019, net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. 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, 2019 and 2018, the Authority's proportion was 0.001865% and 0.001887%, respectively, which was a decrease of .00002% and .00042%, respectively, from its proportion measured as of June 30, 2018 and 2017, respectively. For the year ended June 30, 2020 and 2019, the Authority recognized pension expense of \$(103,250) and \$(98,048), respectively. At June 30, 2020 and 2019, the Authority reported deferred outflows and inflows of resources as follows:

	<u>June 30, 2020</u>		<u>June 30, 2019</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,032	\$ 1,485	\$ 7,087	\$ 1,916
Changes in assumptions	33,557	116,647	61,235	118,821
Net difference between projected and actual earnings on pension plan investments	-	5,305	-	3,486
Changes in proportion	-	178,341	-	276,633
Authority contributions subsequent to the measurement date	<u>18,773</u>	<u>-</u>	<u>21,413</u>	<u>-</u>
	<u>\$ 58,362</u>	<u>\$ 301,778</u>	<u>\$ 89,735</u>	<u>\$ 400,856</u>

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

<u>Years ending June 30,</u>	<u>PERS</u>
2020	\$ (139,890)
2021	(78,273)
2022	(9,553)
2023	(34,381)
2024	(92)
	<u>\$ (262,189)</u>

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NOTES TO FINANCIAL STATEMENTS

H. PENSION PLAN (CONTINUED)

Actuarial Assumptions

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

Inflation rate: Price	2.75%
Inflation rate: Wage	3.25%
Salary increases: Through 2026	2.00-6.00% (based on years of service)
Salary increases: Thereafter	3.00-7.00% (based on years of service)
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with state statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019 and June 30, 2018), is determined by the state Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees, and the actuaries.

The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019, are summarized in the following table:

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NOTES TO FINANCIAL STATEMENTS

H. PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00 %	4.67 %
Cash Equivalents	5.00 %	2.00 %
U.S. Treasuries	5.00 %	2.68 %
Investment Grade Credit	10.00 %	4.25 %
High Yield	2.00 %	5.37 %
Private Credit	6.00 %	7.92 %
Real Assets	2.50 %	9.31 %
Real Estate	7.50 %	8.33 %
U.S. Equity	28.00 %	8.26 %
Non-U.S. Developed Markets Equity	12.50 %	9.00 %
Emerging Markets Equity	6.50 %	11.37 %
Private Equity	12.00 %	10.85 %
	<u>100.00 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 6.28% and 5.66% as of June 30, 2019 and 2018, respectively. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% and 3.87% as of June 30, 2019 and 2018, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employers contributed 70% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the Authority as of June 30, 2020 and June 30, 2019, discount rates as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

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NOTES TO FINANCIAL STATEMENTS

H. PENSION PLAN (CONTINUED)

	June 30, 2020		
	At 1% Decrease (5.28%)	At Current Discount Rate (6.28%)	At 1% Increase (7.28%)
Local	<u>\$ 432,554</u>	<u>\$ 336,064</u>	<u>\$ 266,501</u>
	June 30, 2019		
	At 1% Decrease (4.66%)	At Current Discount Rate (5.66%)	At 1% Increase (6.66%)
Local	<u>\$ 467,256</u>	<u>\$ 371,609</u>	<u>\$ 291,368</u>

I. OTHER POST-EMPLOYMENT BENEFITS ("OPEB") OTHER THAN PENSIONS

General Information About the OPEB Plan

The Authority participates in the State Health Benefit Local Government Retired Employees Plan (the "Plan") which is a cost-sharing multiple-employer defined benefit other post-employment benefit ("OPEB") plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Post-employment Benefits Other Than Pensions* ("GASB Statement No. 75"); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the "State"), Division of Pensions and Benefits' Comprehensive Annual Financial Report, which can be found at: <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide post-retirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer-paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of post-retirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a state or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a state or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer.

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NOTES TO FINANCIAL STATEMENTS

I. OTHER POST-EMPLOYMENT BENEFITS ("OPEB") OTHER THAN PENSIONS (CONTINUED)

General Information About the OPEB Plan (Continued)

Further, the law provides that the employer-paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

Pursuant to Chapter 78, P.L., 2011, future retirees eligible for post-retirement medical coverage who have less than 20 years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2018 through June 30, 2019.

Net OPEB Liability

Components of Net OPEB Liability

The components of the collective net OPEB liability of the participating employers in the Plan as of June 30, 2020 and 2019, are as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Total OPEB liability	\$ 617,858	\$ 925,945
Plan Fiduciary Net Position	<u>12,214</u>	<u>18,221</u>
Net OPEB Liability	<u>\$ 605,645</u>	<u>\$ 907,724</u>

Plan Fiduciary Net Position as a % of total OPEB liability	1.98 %	1.97 %
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The total OPEB liability as of June 30, 2020, was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The total OPEB liability as of June 30, 2019, was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.50%
Salary increases*	
Through 2026	2.00 - 6.00%
Thereafter	3.00 - 7.00%

*Salary increases are based on years of service within the respective plan.

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NOTES TO FINANCIAL STATEMENTS

I. OTHER POST-EMPLOYMENT BENEFITS ("OPEB") OTHER THAN PENSIONS (CONTINUED)

Net OPEB Liability (Continued)

Mortality rates were based on the Pub-2010 General Classification Headcount-Weighted Mortality Table with fully generational mortality improvement projections from the central year using the MP-2019 scale.

Actuarial assumptions used in the July 1, 2018, valuation were based on the results of the Plan – the Police and Firemen Retirement System (PFRS) and PERS experience studies prepared for July 1, 2013 to June 30, 2018, and July 1, 2014 to June 30, 2018, respectively.

One hundred percent of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

Discount Rate

The discount rate for June 30, 2020 and 2019, was 3.50% and 3.87%, respectively. This represents the municipal bond return rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB liability of the participating employers as of June 30, 2020 and 2019, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

At June 30, 2020		
At 1% Decrease (2.50%)	At Current Discount Rate (3.50%)	At 1% Increase (4.50%)
\$ 700,280	\$ 605,645	\$ 528,742

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NOTES TO FINANCIAL STATEMENTS

I. OTHER POST-EMPLOYMENT BENEFITS ("OPEB") OTHER THAN PENSIONS (CONTINUED)

Net OPEB Liability (Continued)

At June 30, 2019		
At 1% Decrease (2.87%)	At Current Discount Rate (3.87%)	At 1% Increase (4.87%)
\$ 1,065,000	\$ 907,724	\$ 782,096

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate:

The following presents the net OPEB liability as of June 30, 2020 and 2019, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

At June 30, 2020		
At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
\$ 511,090	\$ 605,645	\$ 726,266

At June 30, 2019		
At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
\$ 757,187	\$ 907,724	\$ 1,102,541

Deferred Outflows of Resources and Deferred Inflows of Resources

GASB Statement No. 75 requires participating employers recognize their proportionate share of the collective net OPEB liability, collected deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The Authority's proportionate share of the collective net OPEB liability as of June 30, 2020 and 2019, was .004471% and .005794%, respectively.

At June 30, 2020, the amount recognized as the Authority's proportionate share of the net OPEB liability was \$605,645. For the year ended June 30, 2020, the Authority recognized OPEB expense of (\$103,175). At June 30, 2020, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows:

	June 30, 2020		June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Expected and Actual Experience	\$ -	\$ 177,114	\$ -	\$ 184,300
Change of Assumptions	-	214,627	-	230,256
Net Difference Between Projected and Actual Investment Earnings	499	-	480	-
Net Change in Proportions	12,830	489,501	14,919	269,852
Changes in Assumptions	\$ 13,329	\$ 881,242	\$ 15,399	\$ 684,408

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NOTES TO FINANCIAL STATEMENTS

I. OTHER POST-EMPLOYMENT BENEFITS ("OPEB") OTHER THAN PENSIONS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending June 30,</u>	<u>OPEB</u>
2020	\$ (62,851)
2021	(62,901)
2022	(62,953)
2023	(63,036)
2024	(63,060)
Thereafter	<u>(76,441)</u>
	<u>\$ (391,242)</u>

J. CORONAVIRUS IMPACT

The Authority faces various risks related to the global outbreak of coronavirus disease ("COVID-19"). The Authority is dependent on the parking needs of State employees, local businesses, and transient daily parkers to enable the Authority to recognize parking revenues. With significant portions of the state workforce unable to work or working remotely and many local businesses closed due to the stay at home order in the City and the State, the Authority's operations will likely be impacted. The Authority may be unable to meet their operating cost or debt service obligations as a result of the COVID-19 outbreak. Additionally, the Authority's debt guarantor, the City of Trenton, may also be negatively impacted with limited tax revenue collections that could also impact their ability to assist the Authority during this time. It may also lead the Authority to seek debt restructuring and additional sources of debt. These impacts may not be fully recoverable or adequately covered by insurance.

At this time, the Authority's management cannot predict the full impact of the COVID-19 pandemic, but management continues to monitor the situation, to assess further possible implications to operations and their customers, regulators, and creditors and will take all necessary actions in an effort to mitigate adverse consequences. Further, the pandemic may have a material adverse effect on the Authority's results of operations, financial position, and liquidity during fiscal year ending 2021 and beyond.

K. SUBSEQUENT EVENT

Management has evaluated subsequent events that occurred after the statement of net assets date through February 1, 2021, the date the financial statements were available to be issued.

The following item was determined by management to require disclosure:

Effective July 1, 2020, the Authority revised various parking rates in order to generate additional revenues required to cover anticipated future operating expenses and debt service obligations. The new rates included monthly parking fee of \$150 for all locations. Additionally, the warren street and merchant lot daily rates increased to a \$12 flat rate. Lastly, the liberty commons and lafayette yard locations changed the hourly parking rates as follows:

- \$7.00 up to 2 hours
- \$9.00 up to 4 hours
- \$12.00 up to 12 hours
- \$15.00 up to 24 hours

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NOTES TO FINANCIAL STATEMENTS

L. PENDING GOVERNMENTAL ACCOUNTING STANDARDS (GASB) STATEMENTS

The Governmental Accounting Standards Board has issued Statement No. 93, "*Replacement of Interbank Offered Rates.*" This statement is required to be adopted by the Authority for the year ending June 30, 2022. The Authority has not determined the effect of Statement No. 93 on the financial statements.

The Governmental Accounting Standards Board has issued Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements.*" This statement is required to be adopted by the Authority for the year ending June 30, 2023. The Authority has not determined the effect of Statement No. 94 on the financial statements.

The Governmental Accounting Standards Board has issued Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance.*" This statement postpones the effective dates of applicable pending Statements described above. The effective dates mentioned above are the applicable postponed dates as prescribed by Statement No. 95.

The Governmental Accounting Standards Board has issued Statement No. 96, "*Subscription-Based Information Technology Arrangements.*" This statement is required to be adopted by the Authority for the year ending June 30, 2023. The Authority has not determined the effect of Statement No. 96 on the financial statements.

The Governmental Accounting Standards Board has issued Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a suppression of GASB No. 32.*" This statement is required to be adopted by the Authority for the year ending June 30, 2022. The Authority has not determined the effect of Statement No. 97 on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability	0.001865 %	0.001887 %	0.002311 %	0.003006 %	0.002311 %	0.003557 %	0.004848 %
Authority's proportionate share of the net pension liability	\$ 336,064	\$ 371,609	\$ 538,066	\$ 890,295	\$ 772,739	\$ 665,913	\$ 926,608
Authority's covered-employee payroll	494,485	458,989	423,003	383,968	403,280	411,674	438,211
Authority's proportionate share of the net pension liability as a percentage of payroll	67.96 %	80.96 %	127.20 %	231.87 %	191.61 %	161.76 %	211.45 %
Plan fiduciary net position as a percentage of the total pension liability	56.57 %	53.60 %	40.14 %	47.93 %	52.08 %	52.08 %	48.72 %
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 18,142	\$ 18,773	\$ 21,413	\$ 26,705	\$ 29,595	\$ 29,321	\$ 36,531
Contributions in relation to the contractually required contribution	19,799	20,469	23,900	28,575	31,015	30,732	31,175
Authority's covered-employee payroll	494,485	458,989	423,003	383,968	403,280	411,674	438,211
Contributions as a percentage of covered-employee payroll	3.80 %	4.46 %	5.65 %	7.44 %	7.69 %	7.47 %	7.11 %

The above Pension schedules are intended to show information for ten years. The State of New Jersey has issued seven years of pension information to the Authority. Additional years' information will be displayed as it becomes available.

PARKING AUTHORITY OF THE CITY OF TRENTON

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Authority's proportion of the total OPEB liability	0.004471 %	0.005794 %	0.005719 %	0.007373 %
Authority's proportionate share of the total OPEB liability (asset)	\$ 605,645	\$ 907,724	\$ 1,167,579	\$ 1,601,229
Authority's covered-employee payroll	494,485	458,989	423,003	383,968
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	122.5 %	197.8 %	276.0 %	417.0 %
Plan fiduciary net position as a percentage of the total OPEB liability	1.98 %	1.97 %	1.03 %	0.69 %
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 121,276	\$ 133,411	\$ 131,376	\$ 135,119
Contributions in relation to the contractually required contribution	121,276	133,411	131,376	135,119
Authority's covered-employee payroll	494,485	458,989	423,003	383,968
Contributions as a percentage of covered employee payroll	24.5 %	29.1 %	31.1 %	35.2 %

The above OPEB schedules are intended to show information for ten years. The State of New Jersey has issued four years of OPEB information to the Authority. Additional years' information will be displayed as it becomes available.

OTHER SUPPLEMENTARY INFORMATION

PARKING AUTHORITY OF THE CITY OF TRENTON

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

	Years Ended		
	June 30, 2020		June 30, 2019
	(Unaudited) Budget	Audited Actual	Audited Actual
Revenues			
Parking revenues	\$ 3,995,000	\$ 3,600,631	\$ 3,980,002
Rental income	28,000	23,500	25,667
Non-operating revenues	<u>430,000</u>	<u>391,342</u>	<u>153,876</u>
Total revenues	<u>\$ 4,453,000</u>	<u>\$ 4,015,473</u>	<u>\$ 4,159,545</u>
Expenses			
Payroll	\$ 401,000	\$ 494,485	\$ 458,989
Heat, light and water	125,000	124,225	98,416
Facilities maintenance	214,000	220,381	250,331
Parking tickets	2,000	1,972	1,855
Laundry and uniforms	-	4,221	-
Insurance	200,000	197,459	184,404
Telephone	30,000	30,002	27,126
Office expenses	79,000	65,190	56,040
Fringe benefits	145,000	(65,350)	21,066
Professional fees	129,000	115,911	104,838
Consulting fees	65,000	73,325	32,367
Travel, meetings and workshops	4,000	3,552	9,886
Miscellaneous expenses	2,000	4,296	9,903
Bad debt recovery	-	24,465	17,932
Total expenses	1,396,000	1,294,134	1,273,153
Interest expense - bonds	797,158	783,599	836,379
Other costs funded by operating revenues			
Principal maturity	1,605,000	1,605,000	1,555,000
Capital outlays	-	576,407	91,703
Unreserved retained earnings	<u>654,842</u>	<u>(243,667)</u>	<u>403,309</u>
Total costs funded by operating revenues	<u>\$ 4,453,000</u>	<u>\$ 4,015,473</u>	<u>\$ 4,159,545</u>

PARKING AUTHORITY OF THE CITY OF TRENTON

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SCHEDULE OF REVENUES AND EXPENSES BY GARAGE (UNAUDITED)

Year Ended June 30, 2020

	Broad & Front	Lafayette	Liberty Commons	Merchant	Warren & Hanover	Total
Revenues						
Parking Revenues	\$ 1,093	\$ 1,328,617	\$ 927,369	\$ 316,557	\$ 1,026,994	\$ 3,600,631
Rental income	-	-	-	-	23,500	23,500
Total revenues	<u>1,093</u>	<u>1,328,617</u>	<u>927,369</u>	<u>316,557</u>	<u>1,050,494</u>	<u>3,624,131</u>
Expenses						
Payroll	23,331	199,678	109,133	78,977	83,365	494,485
Heat, light and water	33,003	27,056	24,283	8,722	31,161	124,225
Facilities maintenance	11,646	67,615	56,714	10,796	73,610	220,381
Parking tickets	-	986	986	-	-	1,972
Laundry and uniforms	-	1,150	1,150	537	1,384	4,221
Insurance	38,869	38,603	41,873	38,603	39,511	197,459
Telephone	-	11,687	6,698	2,891	8,726	30,002
Office expense	835	5,961	16,854	7,468	34,071	65,190
Fringe benefits	(34,395)	15,671	(10,011)	(18,955)	(17,659)	(65,350)
Professional fees	7,992	20,272	26,026	11,526	50,096	115,911
Consulting fees	5,851	6,828	6,600	300	53,746	73,325
Travel, meetings and workshops	100	220	230	135	2,868	3,552
Miscellaneous expense	551	912	922	754	1,156	4,296
Bad debt recovery	4,893	4,893	4,893	4,893	4,893	24,465
Total Operating Expenses	<u>92,676</u>	<u>401,532</u>	<u>286,349</u>	<u>146,646</u>	<u>366,929</u>	<u>1,294,134</u>
Operating (loss) income before depreciation and amortization	(91,583)	927,085	641,019	169,911	683,564	2,329,998
Depreciation and amortization	3,899	257,684	272,311	5,563	88,297	627,754
Operating (Loss) Income	<u>(95,482)</u>	<u>669,401</u>	<u>368,709</u>	<u>164,348</u>	<u>595,268</u>	<u>1,702,243</u>
Non-Operating Revenues (Expenses)						
Bond interest income	16,793	16,793	16,793	16,793	16,793	83,967
Investment return, net	15,590	15,590	15,590	15,590	15,590	77,950
Miscellaneous income	-	-	229,425	-	-	229,425
Interest expense	(156,720)	(156,720)	(156,720)	(156,720)	(156,720)	(783,599)
Total Non-Operating Expenses	<u>(124,336)</u>	<u>(124,336)</u>	<u>105,089</u>	<u>(124,336)</u>	<u>(124,336)</u>	<u>(392,257)</u>
Net (Loss) Income	<u>\$ (219,818)</u>	<u>\$ 545,065</u>	<u>\$ 473,797</u>	<u>\$ 40,012</u>	<u>\$ 470,932</u>	<u>\$ 1,309,986</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, 2020

Finding 2020-001

Criteria

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

Condition

- During testing of disbursements, documentation viewed did not contain purchase orders and related support demonstrating the necessary review and written approval by management prior to the ordering of goods or services.
- A written capitalization policy has not been established.

Cause

Inadequate segregation of duties and lack of policies and procedures.

Effect

Over or understatement of account balances.

Recommendation

- We recommend that the Authority establish and implement written internal control policies and procedures to utilize sequentially numbered purchase requisitions and/or purchase orders.
- We recommend the Authority establish a written capitalization policy.

Management's Response

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

PARKING AUTHORITY OF THE CITY OF TRENTON

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

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

Year Ended June 30, 2020

Finding 2020-002

Criteria

Management is responsible for timely and accurate financial reporting.

Condition

The 2020 financial statements were not completed and filed with the State of New Jersey Department of Community Affairs timely.

Cause

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

Effect

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

Recommendation

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

Management's Response

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

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2020

Finding 2019-001

Condition

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

Status

This condition still exists as current year finding 2020-001.

Finding 2019-002

Condition

- The 2019 financial statements were not completed and filed with the State of New Jersey Department of Community Affairs timely.

Status

This condition still exists as current year finding 2020-002.

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

ROSTER OF OFFICIALS (UNAUDITED)

<u>AUTHORITY COMMISSIONERS</u>	<u>POSITION</u>
William A. Watson	Chairman
Andrew Worek	Vice Chairman
Anne LaBate	Commissioner
Evangeline Ugorji	Commissioner
Harry Reyes	Commissioner
Scott A. Rice	Commissioner
Margaret Caldwell-Wilson	City Council Liaison

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Parking Authority of the City of Trenton (the "Authority") as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 1, 2021.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the current year findings and recommendations as items 2020-001 and 2020-002, that we consider to be material weaknesses.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the financial statements. 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and recommendations as item 2020-002.

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.

Meradian, P.C.
Certified Public Accountants

February 1, 2021