

Newark Parking Authority

Financial Statements and Required Supplementary Information

December 31, 2015 and 2014

With Independent Auditors' Report

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Parking Authority of the City of Newark
Essex County, New Jersey
December 31, 2015 and 2014

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ANTHONY C. MACK, ESQ
Executive Director

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

As management of the Parking Authority of the City of Newark (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the years ended December 31, 2015 and 2014. Please read this analysis in conjunction with the Authority's financial statements which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements present the Authority's financial activities and position in three parts. They include the *Management's Discussion and Analysis* (this section), *the Basic Financial Statements and Supplementary Information*. The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These financial statements offer short and long-term financial information about its activities.

BASIC FINANCIAL STATEMENTS

The *Statement of Net Position* includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Position*. This statement measures the results of the Authority's operations over the past year and can be used to determine whether the Authority has recovered all its costs through its revenue sources and other charges, operational stability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows.* This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing activities and capital and related financing activities.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements, such as the Authority's accounting methods and policies.

During the fiscal year ended December 31, 2015, the Authority implemented two new Governmental Accounting Standards Board ("GASB"), GASB Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, relative to its participation in the Public Employees Retirement System (PERS). Historically, the Authority has recorded its contributions to the plan as expenses in the year these contributions were required by the State of New Jersey Division of Pensions and Benefits. With the adoption of GASB 68, the Authority is required to record a liability in its financial statements for its proportionate share of the PERS plan liability and expenses. As a result of implementing these statements, the cumulative effect on the financial statements as reported as of December 31, 2014 was a net decrease in unrestricted net assets of $3,372,273. Additionally, liabilities increased by $3,871,136 which reflects the Authority's proportionate share of its net pension liability, deferred outflows of resources increased by $611,114 and deferred inflows of resources increased by $230,699. All employers who participate in the PERS are being required to record a proportionate share of the $46,170,131,656 and $38,849,838,953 total net pension liabilities at June 30, 2015 and 2014, respectively, in their financial statements.

FINANCIAL ANALYSIS OF THE AUTHORITY

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better able to fulfill its mission as a result of this year's activities?" The Statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities in a way that will help answer this question. These two statements report net position of the Authority and the changes in those positions. The reader can think of the Authority's net position - the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health improving or deteriorating. However, one will need to consider other nonfinancial factors such as changes in conditions, population growth, development, contractual requirements and new or changed government regulation.

A summary of the Authority's Statements of Net Position are as follows:

CONDENSED STATEMENTS OF NET POSITION

	2015	2014 (Restated)
Assets and Deferred Outflows of Resources		
Unrestricted	$ 4,380,774	$ 4,509,130
Restricted	4,910	4,909
Net capital assets	1,482,212	1,185,888
Deferred outflows of resources	1,773,946	611,114
Total assets and deferred outflows of resouces	$ 7,641,842	$ 6,311,041
Liabilities and Deferred Inflows of Resources		
Long-term liabilities	$ 6,123,748	$ 4,583,636
Other liabilities	973,272	798,873
Deferred inflows of resources	89,294	230,699
Total liabilities and deferred inflows of resources	7,186,314	5,613,208

	2015	2014 (Restated)
(continued)		
Net Position		
Net investment in capital assets	769,712	330,888
Restricted	4,910	4,909
Unrestricted - undesignated	(1,838,253)	(1,151,987)
Unrestricted - designated for capital projects	1,519,159	1,514,023
Total net position	455,528	697,833
Total liabilities, deferred inflows of resources and net position	$ 7,641,842	$ 6,311,041

CURRENT ASSETS

Unrestricted cash was approximately $3,702,000 at December 31, 2015 representing a net decrease of approximately $50,000 as compared to the December 31, 2014 balance. The Authority has earmarked approximately $1.5 million for the future acquisition and development of real estate to expand and improve its parking operations. Restricted cash had a balance of approximately $5,000 at December 31, 2015 and 2014. The Authority may utilize this amount to purchase additional fixed assets for the Authority.

Accounts receivable increased by approximately $15,000 from 2014 compared to 2015. The changes are predominately due to the timing of ticket sharing revenue payments received from the City of Newark for the last 2 months of the year along with an increase in revenue of approximately $275,000 from 2014 compared to 2015. Prepaid expenses decreased approximately $93,000 from 2015 compared to 2014. This decrease is primarily due to the prepayment of salary in connection with a separation agreement being expensed in 2015.

NONCURRENT ASSETS

Noncurrent assets increased in 2015 by approximately $296,000 compared to 2014, which is the increase in property and equipment less depreciation of approximately $174,000.

CAPITAL ASSETS

Capital Assets activities for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Furniture and fixtures	$ 72,670	$ 51,443
Improvements	39,382	39,382
Meters	1,738,370	1,609,876
Computers	75,696	49,361
Vehicles	328,813	303,696
Intangible	9,850	9,850
Construction in progress	268,661	-
	2,533,442	2,063,608
Less: accumulated depreciation and amortization	1,051,230	877,720
Net property and equipment	$ 1,482,212	$ 1,185,888

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pension increased in 2015 by approximately $1,163,000 compared to 2014. The increase resulted from the State actuarial calculation. See Note 8 for more information.

OTHER LIABILTIES

Other liabilities are current liabilities that will be paid in the next twelve (12) months after the balance sheet date. Current liabilities payable from unrestricted assets is increased by approximately $174,000. The increase is primarily due to an increase in PERS payable and unpaid bills relating to purchase of new meters.

NONCURRENT LIABILITIES

The increase of approximately $1,540,000 from 2014 compared to 2015 is due to State actuarial calculation of PERS which resulted an increase approximately from $39 billion $46 billion. See Note 8 for information.

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pension decreased in 2015 by approximately $141,000 compared to 2014. The decrease resulted from the State actuarial calculation. See Note 8 for more information.

A summary of the Authority's Statements of Revenues, Expenses and Changes in Net Assets are as follows:

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2015	2014 (Restated)
Operating revenues	$ 5,248,465	$ 4,857,768
Nonoperating revenues	11,732	14,643
Total revenues	5,260,197	4,872,411
Operating expenses	5,289,211	4,918,311
Depreciation expense	173,510	156,890
Nonoperating expenses	39,781	46,907
Total expenses	5,502,502	5,122,108
Decrease in net position	(242,305)	(249,697)
Net position, beginning of year as previously issued	697,833	4,319,803
Restatement (see Note 8)	-	(3,372,273)
Net position, beginning of year as restated	697,833	947,530
Net position, end of year	$ 455,528	$ 697,833

While the Statements of Net Position show the change in financial position of net position, the Statements of Revenues, Expenses and Changes in Net Position provide answers as to the nature and source of these changes.

OPERATING REVENUES

The Authority's operating revenues increased by approximately $391,000. The increase was primarily from an increase in meter collections revenue, ticket sharing revenue, and event parking revenue.

OPERATING EXPENSES

Total operating expenses increased by approximately $388,000 to $5.4 million. The increase is a result of increased rent and pension expense.

NONOPERATING REVENUES AND EXPENSES

Total non-operating revenue and expenses decreased by approximately $4,000 due to decrease in interest expense.

NET POSITION

Total assets and deferred outflows of resources of the Authority for the year ended December 31, 2015, were approximately $7.6 million, while total liabilities and deferred inflows of resources were approximately $7.1 million resulting in assets exceeding liabilities by approximately $500,000. For the year ended December 31, 2014, assets exceeded liabilities by approximately $700,000. Therefore the Authority's net assets decreased approximately $200,000.

BUDGETARY HIGHLIGHTS

The Authority prepares and submits an annual operating budget to the State of New Jersey, which approves the budgets for adoption by the Authority prior to the beginning of the fiscal year. The Authority, upon approval of the interlocal agreement with the City of Newark, amended its budget with the Division of Local Government Services. The following table provides a 2015 combined budget to actual comparison:

2015 BUDGET VS. ACTUAL

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Operating revenues	$ 5,917,943	5,193,464	$ (724,479)
Nonoperating revenues	68,500	66,732	(1,768)
Total revenues	5,986,443	5,260,196	(726,247)
Operating appropriations			
Personnel and other	1,997,044	2,027,188	(30,144)
Fringe benefits	1,022,480	1,127,427	(104,947)
Administration and general	2,414,450	2,347,887	66,563
Total operating appropriations	5,433,974	5,502,502	(68,528)
Nonoperating appropriations			
Lease and note payments	142,500	142,500	-
Capital budget	249,922	469,834	(219,912)
Total nonoperating appropriations	392,422	612,334	(219,912)
Total operating and nonoperating appropriations	5,826,396	6,114,836	(288,440)
Excess (deficit) - budgetary basis	$ 160,047	$ (854,640)	$ (1,014,687)

Anticipated operating revenues were $5,917,943 whereas actual revenues were $5,193,464, resulting in an unfavorable variance of $724,479. This unfavorable variance was primarily due to the removal of several traditional parking meters while the City of Newark continued with its street scape projects along the Broadway

& Mt. Prospect corridor as well as the Prudential construction street closures. The anticipated revenue recorded in the 2015 budget was affected by these factors and not realized.

Total anticipated appropriations were $5,826,396 whereas total actual appropriations were $6,114,836, resulting in an unfavorable variance of $288,440. This unfavorable variance was related to the pension expense associated with the implementation of GASB 68. See the schedule of operating revenues and expenditures compared to budget in the supplementary information section for details of individual line items.

DEBT ADMINISTRATION

Upon execution of the interlocal agreement and transfer of certain parking assets (parking meters) on August 6, 2008 (See Note 1) the Authority is liable to make payments to the City of Newark for the Bond Anticipation Notes in the amount of $1,425,000. The notes bear interest at 5%.

ECONOMIC FACTORS, FUTURE YEARS BUDGETS AND RATES

The Commissioners and management of the Authority consider many factors when preparing each year's budget. Some of the factors that were considered are: traffic patterns, increase in vehicle traffic due to development of various areas in Newark, the improved efficiency of the Authority's equipment and personnel in issuing summons.

In connection with the normal conduct of the Authority's business, it could from time to time be involved in various claims and litigation which may result in positive or negative effects on the financial statements.

CONTACTING THE AUTHORITY

These financial statements are designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the PARKING AUTHORITY OF THE CITY OF NEWARK, located at 50 Park Place, Suite 919, Newark, New Jersey 07102.

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INDEPENDENT AUDITORS' REPORT

Honorable Members of the Board of Commissioners
Parking Authority of the City of Newark
Essex County, New Jersey

Report on the Financial Statements

We have audited the accompanying statements of net position of the Parking Authority of the City of Newark as of December 31, 2015 and 2014 and the statements of revenues, expenses and changes in net position and cash flows for the years then ended as well as the related notes to financial statements, which collectively comprise the Parking Authority of the City of Newark's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The management of the Parking Authority of the City of Newark 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Parking Authority of the City of Newark, as of December 31, 2015 and 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 8 to the financial statements, during the fiscal year ended December 31, 2015, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68*, which represents a change in accounting principle. As discussed in Note 8 to the financial statements, as of December 31, 2013, the Authority's net position was restated to reflect the impact of the change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages A1 through A6, Schedule of the Authority's Proportionated Share of the Net Pension Liability – PERS, and Schedule of the Authority's Contributions – PERS on page 25 to 26 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to inquiries, the basic financial statements and other knowledge we obtained during our audits 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 Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Parking Authority of the City of Newark's basic financial statements. The schedules of cash receipts and disbursements and changes in cash and investments, schedule of operating revenues and expenditures compared to budget, roster of officials, and miscellaneous statistics are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of cash receipts and disbursements and changes in cash and investments and schedule of operating revenues and expenditures compared to budget are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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, the schedules of cash receipts and disbursements and changes in cash and investments and schedule of operating revenues and expenditures

compared to budget are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The rosters of officials and miscellaneous statistics have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2016, on our consideration of the Parking Authority of the City of Newark, Essex County, New Jersey's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* in considering the Parking Authority of the City of Newark's internal control over financial reporting and compliance.

Withum Smith + Brown, PC

September 28, 2016

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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*

Independent Auditors' Report

Honorable Members of the Board of Commissioners
Parking Authority of the City of Newark
Essex County, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Parking Authority of the City of Newark, Essex County, New Jersey as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Parking Authority of the City of Newark's basic financial statements, and have issued our report thereon dated September 28, 2016.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Parking Authority of the City of Newark's internal control over financial reporting 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 Parking Authority of the City of Newark's internal control. Accordingly, we do not express an opinion on the effectiveness of the Parking Authority of the City of Newark'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 entity'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Parking Authority of the City of Newark's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material

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effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Withum Smith + Brown, PC

September 28, 2016

Parking Authority of the City of Newark
Essex County, New Jersey
Statements of Net Position
December 31, 2015 and 2014

	2015	2014 (Restated)
Assets and Deferred Outflows of Resources		
Current assets		
Cash	$ 2,183,206	$ 2,238,763
Designated cash	1,519,159	1,514,023
Restricted cash	4,910	4,909
Investments	40,145	39,945
Accounts receivable	567,418	552,207
Prepaid expenses	70,846	164,192
Total current assets	4,385,684	4,514,039
Property and equipment, net	1,482,212	1,185,888
Total assets	5,867,896	5,699,927
Deferred outflows of resources		
Pension related	1,773,946	611,114
Total assets and deferred outflows of resources	$ 7,641,842	$ 6,311,041
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities		
Accounts payable	$ 259,974	$ 104,814
Accrued expenses	371,232	319,850
Due to City of Newark	199,566	231,709
Bond - current portion	142,500	142,500
Total current liabilities	973,272	798,873
Non-current liabilities		
Bond - less current portion	570,000	712,500
Net pension liability	5,553,748	3,871,136
Total non-current liabilities	6,123,748	4,583,636
Total liabilities	7,097,020	5,382,509
Deferred inflows of resources		
Pension related	89,294	230,699
Net position		
Net investment in capital assets	769,712	330,888
Restricted - parking asset acquisition and upgrade	4,910	4,909
Unrestricted - undesignated	(1,838,253)	(1,151,987)
Unrestricted - designated for capital projects	1,519,159	1,514,023
Total net position	455,528	697,833
Total liabilities, deferred inflows of resources and net position	$ 7,641,842	$ 6,311,041

The Notes to Financial Statements are an integral part of these statements.

Parking Authority of the City of Newark
Essex County, New Jersey
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2015 and 2014

	2015	2014 (Restated)
Operating revenues		
Ticket sharing	$ 2,058,021	$ 1,783,436
Meter collections	2,165,952	2,080,671
Event parking	241,480	179,895
Parking lots	-	9,269
MPG lease	701,991	733,669
Reimbursed operating expense - City of Newark	55,000	55,000
Food truck permit program	26,021	15,828
Total operating revenues	5,248,465	4,857,768
Operating expenses		
Salaries	2,027,188	2,183,706
Fringe benefits and payroll taxes	1,127,427	911,393
Pension expense, net - GASB 68 adjustment	378,375	118,448
Professional fees	260,065	315,531
Lease payment - City of Newark	556,222	572,316
Rent	194,823	130,251
Administrative and general expenses	745,111	686,666
Depreciation and amortization	173,510	156,890
Total operating expenses	5,462,721	5,075,201
Operating loss	(214,256)	(217,433)
Non-operating revenue (expense)		
Interest income	11,732	14,643
Interest expense	(39,781)	(46,907)
Total non-operating revenue (expense)	(28,049)	(32,264)
Changes in net position	(242,305)	(249,697)
Beginning of year, as previously issued	697,833	4,319,803
Restatement - change in accounting principle (Note 8)	-	(3,372,273)
Beginning of year, as restated	697,833	947,530
End of year	$ 455,528	$ 697,833

The Notes to Financial Statements are an integral part of these statements.

Parking Authority of the City of Newark
Essex County, New Jersey
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014 (Restated)
Cash flows from operating activities		
Cash received from ticket sharing	$ 2,028,958	$ 1,728,081
Cash received from meter collections	2,165,952	2,080,671
Cash received from event parking	241,480	179,895
Cash received from parking lot	-	9,269
Cash received from lease and other	829,941	752,407
Payments to employees	(2,049,489)	(2,151,156)
Payments for employee benefits and payroll taxes	(696,555)	(896,900)
Other operating disbursements	(1,927,155)	(1,648,535)
Net cash provided by operating activities	593,132	53,732
Cash flows from investing activities		
Purchase of certificate of deposit	(200)	(160)
Interest on investments	11,732	14,643
Purchases of property and equipment	(469,834)	(73,514)
Net cash used by investing activities	(458,302)	(59,031)
Cash flows from capital and related financing activities		
Interest expense	(42,750)	(49,875)
Repayments of long-term debt	(142,500)	(142,500)
Net cash used by capital and related financing activities	(185,250)	(192,375)
Net decrease in cash	(50,420)	(197,674)
Cash, beginning of year		
Cash	2,238,763	2,443,235
Designated cash	1,514,023	1,507,226
Restricted cash	4,909	4,908
	3,757,695	3,955,369
Cash, end of year		
Cash	2,183,206	2,238,763
Designated cash	1,519,159	1,514,023
Restricted cash	4,910	4,909
	$ 3,707,275	$ 3,757,695

The Notes to Financial Statements are an integral part of these statements.

Parking Authority of the City of Newark
Essex County, New Jersey
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

Cash flows from operating activities				
Net operating loss	$	(214,256)	$	(217,433)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation and amortization expenses		173,510		156,890
Pension expense, net - GASB 68 adjustment		378,375		118,448
Change in:				
Accounts receivable		(15,211)		(107,445)
Prepaid expenses		93,346		(113,516)
Accounts payable		155,160		34,454
Accrued expenses		54,351		57,043
Due to City of Newark		(32,143)		125,291
Net cash provided by operating activities	$	593,132	$	53,732

The Notes to Financial Statements are an integral part of these statements.

1. GENERAL

Authorizing Legislation

The Parking Authority of the City of Newark, hereinafter called the "Authority," was created and established by virtue of an ordinance duly adopted by the City Council of the City of Newark entitled "An Ordinance Creating the Parking Authority of the City of Newark, Adopted by the Municipal Council August 3, 1955," adopted on April 4, 1956, creating the Parking Authority of the City of Newark (collectively the "Creation Ordinance"), pursuant to the Parking Authority Law (N.J.S.A. 40p:11a-1 et seq.) of the State of New Jersey, as amended and supplemented (the "Act") and the Authority is a public body corporate and politic of the State of New Jersey and an agency of the City with all the powers, privileges and authority conferred by the Act. It consists of five members appointed by the Mayor of Newark with the advice and consent of the City Council. The Authority has no stockholders or equity holders. Accounts of the Authority are maintained in conformity with accounting principles generally accepted in the United States of America.

It is the purpose and policy of the Authority, among other things to provide such services and facilities as permitted under the Act and by contract with the City of Newark including (i) enforcing applicable statutes, ordinances and regulations governing parking in the City of Newark, including ticketing and the provision, either directly or indirectly, towing services and storage and impound facilities; (ii) operating the parking meter operation of the City including maintaining, servicing and enforcement relating thereto; and (iii) management of the Parking Enforcement Officers in the performance of their duties.

On August 6, 2008, the City of Newark, upon approval of resolution 7R1-BE "Inter-local Agreement", authorized the delivery of certain parking assets (parking meters) to the Parking Authority of the City of Newark, and obligating the Authority to make certain periodic payments to the City in respect of debt service on City obligations to finance such parking assets. The Authority took control of the parking assets and meter collections on September 8, 2008. The Inter-local Agreement also gave the Newark Parking Authority the power to issue meter violation tickets, motor vehicle towing services, operate storage facilities and issue residential parking permits.

Upon execution of the above agreement, the Authority received parking assets (parking meters) worth $957,739 and cash in the amount of $542,261. The cash proceeds are restricted by the City of Newark for the future purchase of parking assets only. As of December 31, 2015 and 2014 the unspent restricted funds amounted to $4,910 and $4,909, respectively. The Authority was held liable for Bond Anticipation Notes in the amount of $1,425,000, which is explained in detail in Note 6.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements

The term measurement focus is used to denote what is being measured and reported in the Authority's financial statements. The Authority is accounted for on the flow of economic resources measurement focus. The fundamental objective of the focus is to measure whether the Authority is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction is recognized on the Authority's financial statements. The Authority uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends. The Authority has elected to follow Financial Accounting Standards Board pronouncements issued before November 30, 1989, and all pronouncements of the Governmental Accounting Standards Board.

The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments." Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components, invested in capital assets, net of related debt, restricted and unrestricted.

The classifications of net position are defined as follows:

- Invested in capital assets, net of related debt – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are any significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather that portion of the debt is included in the same net assets component as the unspent proceeds.

- Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted - This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The Authority's policy is to first apply restricted resources when an expense is incurred for purposes in which both restricted and unrestricted funds are available.

The Authority's financial statements include all the accounts of all the Authority's operations. The primary criterion for including activities within a reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Account and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name);
- the primary government holds the corporate powers of the organization;
- the primary government appoints a voting majority of the organization's board;
- the primary government is able to impose its will on the organization;
- the organization has the potential to impose a financial benefit/burden on the primary government;
- there is a fiscal dependency by the organization on the primary government.

Based on the above criterion, the Authority is a component unit of the City of Newark. The Authority does issue separate financial statements from the City of Newark.

Based on the aforementioned criterion, the Authority has no component units.

Non-exchange Transactions
The Authority also adopted the provisions of Governmental Accounting Standards Board Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions. This statement required that capital contributions to the Authority be presented as a change in net position.

Use of Estimates
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 the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used for, but not limited to, depreciation and contingencies. Actual results could differ from those estimates. Significant estimates include the useful lives of capital assets and depreciation expense, and the net pension liability.

Operating Revenues and Revenue and Cost Recognition
Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. The Authority recognizes meter revenues as they are collected and recognizes all other revenues in accordance with customer agreements. The costs of such services are accrued as incurred.

Compensated Absences
The Authority permits employees to accrue unused vacation and sick pay. Vacation pay may be taken as time off or paid upon retirement at an agreed upon rate. Vacation leave may be carried to the next succeeding calendar year only. Sick pay may only be taken as time off or paid upon retirement with no more than twenty four accumulated sick days at rate determined by the Board or designee. Accumulated compensated absences amounted to $35,792 and $67,490 for the years ended December 31, 2015 and 2014, respectively. Such amount is reflected on the Statement of Net Position in accrued expenses.

Accounts Receivable
Accounts receivable is primarily comprised of amounts due from the New Jersey Performing Arts Center Corporation ("NJPAC") for the basic rent for the months of October 2015 through December 2015, and from amounts due from the City of Newark of the Authority's portion of ticket sharing revenue for the months of November 2015 and December 2015. The Authority believes that an allowance for doubtful accounts is not necessary due to its past history of collecting all accounts from NJPAC and due to its past dealings with the City of Newark.

Impairment of Capital Assets
In accordance with the provisions of the pronouncement related to accounting and financial reporting for impairment of capital assets, the District assesses capital assets for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset have both significantly and unexpectedly declined. For the years ended December 31, 2015 and 2014 management has determined that there was no impairment of capital assets.

Advertising
The Authority expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2015 and 2014 approximated $2,000 and $11,000, respectively.

Deferred Outflows/Inflows of Resources
GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position.

Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflow of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

The Authority's deferred outflows and deferred inflows are a result of its participation in the pension plan (see Note 8).

New Account Pronouncements
The Authority adopted GASB No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB No. 27* during 2015 as required by the pronouncement. The pronouncement requires the Authority to record its proportional share of the State of New Jersey's net pension liability on the face of its financial statements as of December 31, 2015 and 2014 and to record related pension expense in accordance with the pronouncement. In order to correctly reflect pension expense in accordance with GASB No. 68, the beginning net position of the Authority was adjusted to reflect the beginning balance of the net pension liability. Since the measurement date of the net pension liability is June 30, 2014 (as described in Note 8), the restatement adjustments to net position relate to the beginning net pension liability measured as of June 30, 2014.

As a result of these adjustments, the opening net position was reduced by $3,372,273, which comprised a pension liability addition. Additionally, the 2014 year was restated to add an additional pension expense of $118,488, along with pension deferred outflows of $611,114, net pension liability of $3,871,136 and pension deferred inflows of $230,699.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions
The management of the Authority is not aware of any violations of finance related legal and contractual provisions.

Legal Compliance - Budgets
New Jersey Budget Law requires that all funds have legally adopted budgets and appropriations. Total expenditures for each fund may not exceed the amount appropriated. Appropriations for a fund may be increased provided they are offset by unanticipated revenues. All appropriations lapse at the end of each fiscal year to the extent that they have not been expended or encumbered. Authorization to transfer budgeted amounts between programs and/or departments within any fund and reallocation of budget line items within any program and/or department rests with the Authority's Board of Commissioners.

The accompanying Statements of Revenues, Expenses and Changes in Net Position and the Schedule of Operating Revenues and Expenditures – Budget and Actual have been prepared on a legally prescribed basis of accounting, which differs from GAAP in certain respects. Note 11 "*RECONCILIATION OF BUDGETARY BASIS AND GAAP*" has been prepared to identify these revenue and expenditure differences for governmental activities.

The Authority's budget is prepared for its funds on the modified accrual basis of accounting. Annual appropriated budgets are adopted for all general and enterprise type funds. Any material modification within the adopted budget cannot be made by Board of Commissioners without the Division of Local Government Services' approval.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund (SAIF), or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent (5%) of the average daily balance of public funds; or

If the public funds deposited exceed seventy-five (75%) percent of the capital funds of the depository, the depository must provide collateral having a market value equal to one hundred (100%) percent of the amount exceeding seventy-five (75%) percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than $25,000,000. The Authority has complied with all statutes and regulations applicable to deposits and investments.

Cash equivalents include money market funds, mutual funds, cash management funds and certificates of deposit with maturity dates of less than three months. Investments include certificates of deposit with maturity dates of more than three months. Cash equivalents and investments are stated at cost, which approximates market. Cash equivalents and investments were held by the Authority's Trustee in the Authority's name.

Custodial Credit Risk - This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, an authority will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Authority does not have a policy for custodial credit risk. Federal depository insurance and New Jersey's Governmental Unit Deposit Protection Act mitigate this risk.

Interest Rate Risk - This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Authority's investment policy does not include limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentrations - The Authority's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets.

As of December 31, 2015 and 2014 the Authority's cash, cash equivalents and investments consisted of:

	2015	2014
PNC – Checking	$ 28,335	$ 28,565
PNC – Money Market	356,329	146,002
PNC – Payroll	(302)	741
City National – Checking	918,258	159,780
City National – Money Market	756,029	1,868,254
City National – Certificate of Deposit	40,145	39,945
City National – Real Estate Acquisition	256,386	504,674
City National – Real Estate Development	256,386	504,674
City National – Capital Improvement	256,386	504,674
Santander Bank – Checking	750,999	8,388
Santander Bank – Restricted	4,910	4,909
Investors Bank – Event Parking	123,059	26,534
Petty cash	500	500
Total cash, cash equivalents and investments	3,747,420	3,797,640
Less: Investments	40,145	39,945
Total cash and cash equivalents	$ 3,707,275	$ 3,757,695

The carrying amount of the Authority's cash, cash equivalents and investments at December 31, 2015 was $3,747,420 which consisted of $3,702,365 unrestricted cash, $4,910 restricted cash and $40,145 invested in certificates of deposit, and the bank balance was $3,798,735. Of the bank balance, $878,463 was covered by Federal Depository Insurance and $2,920,272 was covered by the Governmental Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., for all New Jersey governmental units' deposits in excess of the Federal deposit maximums.

Of the cash balance, approximately $5,000 was restricted for future purchase of additional parking assets for the Authority and approximately $1.5 million was designated for future acquisition and development of real estate to expand and improve the Authority's parking operations.

Investments

New Jersey statutes establish the following securities as eligible for the investment of Authority funds:

(a) Bonds or other obligations of the United States or obligations guaranteed by the United States.

(b) Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Associates or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.

(c) Bonds or other obligations of the District or bonds or other obligations of school districts of which the district is a part or within which the school district is located.

(d) Bonds or other obligations, having a maturity date of not more than twelve months from the date of purchase, which are approved by the New Jersey Department of Treasury, Division of Investments.

(e) Qualified mutual funds with portfolios limited to (i) bonds or other obligations of, or guaranteed by, the United States of America; and (ii) repurchase agreements fully collateralized by such

obligations. These investments must be transacted only through national or state banks located within New Jersey.

During the year, the Authority had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of 2015 and 2014, no such investments were held by the Authority.

As of December 31, 2015 and 2014, the District's investments consisted of:

	2015	2014
Certificate of Deposit:		
City National Bank	$ 40,145	$ 39,945

This certificate of deposit has a 24 months term with interest rate of 0.40%, and matures in 2017.

Fair Value Measurements

Pursuant to the requirements of the accounting standard related to fair value measurements, the Authority has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The following table summarizes assets which have been accounted for at fair value on a recurring basis as of December 31, 2015 and 2014, along with the basis for the determination of fair value:

	Basis for Valuation Observable Measurement Criteria (Level 2)
Certificates of Deposit - 2015	$ 40,145
Certificates of Deposit - 2014	$ 39,945

For applicable assets and liabilities subject to this pronouncement, the Authority will value such assets and liabilities using quoted market prices in active markets for identical assets and liabilities to the extent possible (Level 1). To the extent that such market prices are not available, the Authority will next attempt to value such assets and liabilities in active and inactive markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Authority will develop measurement criteria based on the best information available (Level 3).

5. LEASE AND SUBLEASE OF MILITARY PARK GARAGE

On August 14, 1997, the City of Newark leased to the Authority the property known as the Military Park Garage for a term of 50 years.

Under the terms of the lease, the Authority will pay to the City of Newark, each month, the basic rent which equals the City's debt service payments on the Redevelopment Bonds which is approximately $36,000 per month. In addition, the lease requires the Authority to pay the City seventy percent of the net profits as defined in the lease. The remaining thirty percent is retained by the Authority for operations. For the years ended December 31, 2015 and 2014, the amount due to the City was $199,566 and $231,709, respectively, and total lease expense to the City for 2015 and 2014 was $556,222 and

$572,316, respectively. Minimum lease payments for the next five years are expected to be approximately $430,000 each year.

The Authority subleased the Military Park Garage to the New Jersey Performing Arts Center Corporation ("NJPAC") for a term of 50 years. Under the terms of the lease, NJPAC operates and manages the facility. NJPAC is required to pay the Authority each month the basic rent which equals the City's debt service payments on the Redevelopment Bonds which is approximately $36,000 per month. Minimum lease payments for the next five years are expected to be approximately $430,000 per year. In addition, NJPAC shall pay to the Authority forty-five percent of the net profits as defined in the lease. In accordance with the sublease, NJPAC remitted basic rent in the amounts of $435,383 and $429,825 for the years ended December 31, 2015 and 2014, respectively, to offset the debt service on a $5,000,000 bond issued by the City of Newark to fund one half of the cost of renovating the facility. In addition to the basic rent, NJPAC remitted a percentage of net operating proceeds of $321,608 and $358,844 for the years ended December 31, 2015 and 2014, respectively. The lease is a net sublease, and all expenses of operation and repair are paid by NJPAC.

6. LONG-TERM DEBTS

Bond due to the City of Newark

Upon execution of the inter-local agreement and transfer of certain parking assets (parking meters) on August 6, 2008, the Authority became liable to make payments to the City of Newark for Bond Anticipation Notes in the amount of $1,425,000. The notes, originally issued January 24, 2008 with a maturity of January 23, 2009, were renewed through January 20, 2010. Upon maturity, the debt service payments of the notes were negotiated and repayments began June 1, 2011 with final payment due June 1, 2020.

Ten annual principal repayments of $142,500 are due until maturity. The notes bore interest at 3.00% during 2008, 3.25% during 2009 and increased to 5.00% for 2010 and thereafter. Interest expense for the years ended December 31, 2015 and 2014 amounted to $39,781 and $46,907, respectively, with interest payable as of December 31, 2015 and 2014 of approximately $15,000 and $18,000, respectively.

The City of Newark has not finalized its long-term financing plans with respect to the Series 2010 Notes, and therefore, the actual debt service payments are subject to change upon final negotiations.

The aggregate annual principal payments applicable to long term debts as of December 31, 2015 are as follows:

Year ending December 31:	Amount
2016	$ 142,500
2017	142,500
2018	142,500
2019	142,500
2020	142,500
	$ 712,500

7. CAPITAL ASSETS

Capital assets, which include furniture and fixtures, vehicles, and equipment, are reported at cost less accumulated depreciation. The Authority depreciates all assets using the straight line method ranging from 3 to 20 years. Leasehold improvements and intangibles are amortized over the shorter of the useful life or lease term. Capital asset activity for the year ending December 31, 2015 was as follows:

	Balance as of 12/31/14	2015 Additions	Balance as of 12/31/15
Furniture and fixtures	$ 51,443	$ 21,227	$ 72,670
Improvements	39,382	-	39,382
Meters	1,609,876	128,494	1,738,370
Computers	49,361	26,335	75,696
Vehicles	303,696	25,117	328,813
Intangible	9,850	-	9,850
Contruction in progress	-	268,661	268,661
	2,063,608	469,834	2,533,442
Less: accumulated depreciation and amortization	877,720	173,510	1,051,230
Net property and equipment	$ 1,185,888	$ 296,324	$ 1,482,212

Depreciation and amortization expense for the years ended December 31, 2015 and 2014 was $173,510 and $156,890, respectively.

Capital assets acquired through capital lease obligations consisted of the following at December 31:

	2015	2014
Vehicles	$ 76,585	$ 76,585
Less: accumulated amortization	76,585	76,585
	$ -	$ -

For the years ended December 31, 2015 and 2014 amortization expense for capital lease assets included in the preceding depreciation and amortization amounts amounted to $0 and $2,713, respectively.

8. PENSION PLAN

Employees of the Authority that are eligible, participate in the State of New Jersey, Public Employees' Retirement System ("PERS"). PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits ("Division"). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The 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:

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

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

Employer and Employee Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. The local employer's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. During the years ended December 31, 2015 and 2014, the PERS received employer and employee contributions as follows:

	2015	2014
Employer contributions	$ 212,702	$ 170,451
Employee contributions	$ 108,140	$ 103,457
Salary basis for contributions	$ 1,554,013	$ 1,512,623
Percent of base wages	6.92% - 7.06%	6.78% - 6.92%

GASB 68 – Restatement

The Authority adopted GASB No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB No. 27* during the 2015 fiscal year as required by the pronouncement. The pronouncement requires the Authority to record its proportional share of the State of New Jersey's net pension liability on the face of its financial statements as of December 31, 2015 and to record related pension expense in accordance with the pronouncement. In order to correctly reflect pension expense in accordance with GASB No. 68, the beginning net position of the Authority was adjusted to reflect the beginning balance of the net pension liability. Since the measurement date of the net pension liability is June 30, 2014, the restatement adjustments to net position relate to the beginning net pension liability measured as of June 30, 2013. Also, in accordance with GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, the Authority restated its net position for pension contributions made after the beginning net pension liability measurement date of June 30, 2013 (deferred outflows).

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

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

The net pension liability was measured as of June 30, 2015 and 2014, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and 2014. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2015. In accordance with GASB 68, the measurement date shall not be earlier than 1 year from the statement of net position date; therefore, the Authority has elected to utilize June 30, 2015 and 2014, respectively, as the measurement date.

The Authority's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2015 and 2014. At December 31, 2015 and 2014, the Authority's proportionate share and net pension liability was as follows:

	2015	2014
PERS net pension liability	$ 46,170,131,656	$ 38,849,838,953
Authority net pension liability	$ 5,553,748	$ 3,871,136
Authority's proportion	0.01202888%	0.00996436%

Pension expense, net is comprised of the following at December 31, 2015 and 2014:

	2015	2014
Proportionate share of allocable plan pension expense	$ 364,325	$ 199,025
Pension expense related to specific liabilities of individual employers	(212,702)	(170,451)
Net amortization of deferral amounts from changes in proportion	226,740	89,960
Other changes	12	(86)
Total employer pension expense excluding that attributable to employer-paid member contributions	$ 378,375	$ 118,448

At December 31, 2015 and 2014, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS as follows:

	2015	
	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	$ 596,428	$ -
Net difference between projected and actual earnings on pension plan investments	132,493	89,294
Changes in proportion and differences between the Authority contributions and proportionate share of contributions	1,045,025	-
Authority contributions subsequent to the measurement date	-	-
	$ 1,773,946	$ 89,294

	2014	
	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	$ 121,729	$ -
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	489,385	230,699
Authority contributions subsequent to the measurement date	-	-
	$ 611,114	$ 230,699

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

Years Ended December 31:	PERS Deferred Outflows/Inflows, Net	Authority Share
2016	$ 861,409,913	$ 314,918
2017	861,409,913	314,918
2018	861,409,913	314,918
2019	1,293,067,797	472,725
2020	730,809,712	267,173
	$ 4,608,107,248	$ 1,684,652

Actuarial Assumptions

The total pension liability in the June 30, 2015 and 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2015	2014
Inflation rate	3.04%	3.01%
Salary increases from 2012 - 2021	2.15-4.40% based on age	2.15-4.40% based on age
Thereafter	3.15-5.40% based on age	3.15-5.40% based on age
Investment rate of return	7.90%	7.90%

For the years ended June 30, 2015 and 2014, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S treasuries	1.75%	1.64%
Investment grade credits	10.00%	1.79%
Mortgages	2.10%	1.62%
High yield bonds	2.00%	4.03%
Inflation-indexed bonds	1.50%	3.25%
Broad US equities	27.25%	8.52%
Developed foreign equities	12.00%	6.88%
Emerging market equities	6.40%	10.00%
Private equity	9.25%	12.41%
Hedge funds / absolute return	12.00%	4.72%
Real estate (property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global debt ex US	3.50%	-0.40%

Discount Rate

The discount rate used to measure the total pension liability was 4.90 percent and 5.39 percent as of December 31, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90 percent, and a municipal bond rate of 3.80 percent and 4.29 percent as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

The following presents the Authority's proportionate share of the net pension liability measured as of December 31, 2015 and 2014, calculated using the discount rate as disclosed above as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	2015		
	At 1 % decrease (3.90%)	At current discount rate (4.90%)	At 1% increase (5.90%)
PERS as a whole	$55,702,235,475	$ 46,170,131,656	$ 38,191,749,890
Authority's proportionate share of the net pension liability	$ 6,700,353	$ 5,553,748	$ 4,594,038

	2014		
	At 1 % decrease (4.39%)	At current discount rate (5.39%)	At 1% increase (6.39%)
PERS as a whole	$47,326,289,075	$ 38,849,838,953	$ 31,735,758,503
Authority's proportionate share of the net pension liability	$ 4,715,760	$ 3,871,136	$ 3,162,264

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report which can be found at the following link: http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml.

9. COMMITMENTS

The Authority leases office space under operating leases. The office lease is a non-cancellable lease which was renewed December 23, 2014 for a period of five years. Rent expense for the years ended December 31, 2015 and 2014 amounted to $194,823 and $130,251, respectively.

The approximate aggregate future minimum annual office rental commitments under non-cancelable lease are as follows:

Year	Amount
2016	$ 163,000
2017	163,000
2018	163,000
2019	163,000
	$ 652,000

10. CONTINGENT LIABILITIES

Grantor Agencies

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. Any audit resulting in disallowed costs may constitute a liability. The Authority is unaware of any such liabilities.

Litigation

In the normal course of business, the Authority is involved in certain legal matters. The Authority is currently involved in in two litigation matters, and received one notice of claims, all of which pertain to contract disputes. With regard to the notice of claim, if the matter is ever litigated, management believes it is adequately covered by insurance. The Authority is defending two matters. In the first matter, the plaintiff is seeking approximately $130,000. The Authority is contesting this matter. It is not expected that this matter will be covered by insurance. However, no liability has been recorded, as the outcome of this matter remains uncertain. In the second matter, the plaintiff is seeking approximately $270,000. The Authority is contesting this matter, and it is adequately covered by insurance. The results would not have a material adverse effect on the financial statements.

11. RECONCILIATION OF BUDGETARY BASIS AND GAAP

The accompanying "*Schedule of Operating Revenues and Expenditures Compared to Budget for the Year Ended December 31, 2015*" presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective and entity differences in excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended December 31, 2015 is presented below:

Excess of revenues over expenditures (Budgetary basis)	$ (854,639)
Adjustments to reconcile to GAAP basis	612,334
Changes in net position (GAAP basis)	$ (242,305)

12. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events occurring after December 31, 2015 through the date of September 28, 2016, which is the date the financial statements were available to be issued. Based on this evaluation the Authority has determined that no subsequent events have occurred which require disclosure in the financial statements.



SUPPLEMENTARY INFORMATION

Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of the Authority's Proportionate Share of the Net Pension Liability – PERS
Year Ended December 31, 2015

	2015	2014
Authority's proportion of the net pension liability	0.01202888%	0.00996436%
Authority's proportionate share of the net pension liability	$ 5,553,748	$ 3,871,136
Authority's covered-employee payroll	$ 1,554,013	$ 1,512,623
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	357.38%	255.92%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Benefit Changes
None

Changes of Assumptions
The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015.

Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of the Authority's Contributions – PERS
Year Ended December 31, 2015

	2015	2014
Contractually required contributions		
Regular pension and non-contributory group insurance contributions	$ 212,702	$ 170,451
Chapter 19 P.L. 2009 Contribution	706	702
	213,408	171,153
Contributions in relation to the contractually required contribution	(213,408)	(171,153)
Contribution deficiency (excess)	$ -	$ -
Percent of base wages	6.92% - 7.06%	6.78% - 6.92%
Authority's covered-employee payroll	$ 1,554,013	$ 1,512,623
Contributions as a percentage of the Authority's covered-employee payroll	13.73%	11.31%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Parking Authority of the City of Newark
Essex County, New Jersey
Schedules of Cash Receipts and Disbursements and Changes in Cash and Investments
Years Ended December 31, 2015 and 2014

	2015	2014 (Restated)
Cash and investments, January 1,	$ 3,797,640	$ 3,995,154
Receipts		
Ticket sharing	2,028,958	1,728,081
Meter collections	2,165,952	2,080,671
Event parking	241,480	179,895
Parking lot	-	9,269
Lease and other	829,941	752,407
Interest on investments	11,732	14,643
	9,075,703	8,760,120
Disbursements		
Operating expenses	4,673,199	4,696,591
Purchases of property and equipment	469,834	73,514
Payment of loan and interst payable for capital asset	185,250	192,375
	5,328,283	4,962,480
Cash and investments, December 31,	$ 3,747,420	$ 3,797,640
Balance comprised of		
Cash	$ 3,707,275	$ 3,757,695
Certificate of Deposit	40,145	39,945
	$ 3,747,420	$ 3,797,640

See Independent Auditors' Report.

Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of Operating Revenues and Expenditures Compared to Budget
Year Ended December 31, 2015

	2015 Budget	2015 Actual	Favorable (Unfavorable) *
Operating revenue:			
Ticket sharing	$ 2,400,000	$ 2,058,021	$ (341,979)
Meter collections	2,696,100	2,165,952	(530,148)
Event parking	126,000	241,480	115,480
Food truck permit program	16,500	26,021	9,521
Parking lots	-	-	-
MPG lease	679,343	701,991	22,648
Non operating revenue:			
Reimbursed operating expense - City of Newark	55,000	55,000	-
Interest income	13,500	11,732	(1,768)
Total revenues	$ 5,986,443	$ 5,260,197	$ (726,246)
Operating expense:			
Administrative and general:			
Salaries	$ 1,997,044	$ 2,027,188	$ (30,144)
Fringe benefits and payroll taxes	1,022,480	1,127,427	(104,947)
Pension Contribution	119,500	378,375	(258,875)
Accounting fees / audit examination	135,000	106,940	28,060
Legal fees	60,000	46,346	13,654
EE Screening	3,500	2,497	1,003
Parking consultant	80,000	106,779	(26,779)
Office expenses	30,000	39,767	(9,767)
Bank fees/visa debit	20,000	19,487	513
Telephone/wireless	54,500	67,971	(13,471)
Depreciation expense	160,000	173,510	(13,510)
NPA security / camera upgrade	15,000	1,912	13,088
Travel/conference/training	30,000	35,689	(5,689)
Payroll expense	15,000	15,647	(647)
Luncheon meeting	5,500	7,113	(1,613)
Advertising	6,500	2,251	4,249
Vehicle expense	54,000	39,779	14,221
Uniforms	28,000	22,562	5,438
Equipment maintenance / meter repair	38,000	13,767	24,233
IT support	50,000	32,329	17,671
Insurance	209,000	208,747	253
Postage	1,200	1,840	(640)
Interest expense	42,750	39,781	2,969
Rent	320,000	194,823	125,177
Parking tax	55,000	43,546	11,454
Printing/badges	10,500	3,187	7,313
PATS tickets	20,000	24,451	(4,451)
Parking permits	24,000	62,561	(38,561)

Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of Operating Revenues and Expenditures Compared to Budget
Year Ended December 31, 2015

	2015 Budget	2015 Actual	Favorable (Unfavorable) *
(continued)			
Parking studies	100,000	-	100,000
Parking tax counter equipment	27,000	-	27,000
Event expenses	-	76,856	(76,856)
Security consultant	17,500	-	17,500
Office / officers communications	42,000	-	42,000
Warranty	25,000	-	25,000
Jackson parking lot snow removal	12,000	-	12,000
Eticket	-	23,152	(23,152)
Lease payment - City of Newark	604,000	556,222	47,778
Total administrative and general	5,433,974	5,502,502	(68,528)
Non-operating expense:			
Bond payments	142,500	142,500	-
Vehicle purchases	24,922	25,117	(195)
Meter/vehicle equipment	225,000	310,694	(85,694)
Project development costs	-	86,461	(86,461)
Computers	-	26,335	(26,335)
Furniture and fixture purchases	-	21,227	(21,227)
Total non-operating expense	392,422	612,334	(219,912)

* See MD&A for management explanation regarding significant differences.

Parking Authority of the City of Newark
Essex County, New Jersey
Roster of Officials
Year Ended December 31, 2015

Board of Commissioners	Position
Evelyn Williams	Chairperson
Deborah Ballard	Vice Chairperson
DeAndre Rudolph	Treasurer
Niathan Allen	Secretary
Hubert Graham	Commissioner
Raquel Cagley	Commissioner
James Parrillo	Commissioner

Other Officials	
Anthony C. Mack, Esq.	Executive Director
Chigozie Onyema, Esq.	General Counsel & Director of Development
Gabriela Santos	Manager of Fiscal Operations & Control

Parking Authority of the City of Newark
Essex County, New Jersey
Miscellaneous Statistics
Year Ended December 31, 2015

Form of Government	Authority
Number of employees	47
Number of parking spaces Military Park Garage	990
Number of parking meter spaces	2,149

See Independent Auditors' Report.

Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of Findings and Recommendations
Years Ended December 31, 2015 and 2014

Schedule of Financial Statement Findings

This section identifies the material weaknesses and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulations, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Material Weaknesses

None noted

Parking Authority of the City of Newark
Essex County, New Jersey
Schedule of Findings and Recommendations
Years Ended December 31, 2015 and 2014

Schedule of Financial Statement Findings

This section identifies the material weaknesses and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulations, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Material Weaknesses

None noted