

Financial Report

of

**The Parking Authority of the
City of Elizabeth**

For the Years Ended December 31, 2020 and 2019

Prepared By

The Parking Authority of the City of Elizabeth

Finance Department

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

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THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

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FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Parking Authority of the City of Elizabeth
Elizabeth, New Jersey 07201

Report on the Financial Statements

We have audited the accompanying financial statements of The Parking Authority of the City of Elizabeth, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Authority'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Elizabeth, as of December 31, 2020 and 2019, and the respective changes in 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 analysis, budgetary comparison information, and the schedules related to accounting and reporting for pensions in Schedule R-1 through R-3 and the schedules related to accounting and reporting for postretirement benefits other than pensions (OPEB) in Schedule S-1 through S-3 are presented to supplement the basic financial statements. Such information, although not a 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 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.

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Other Information

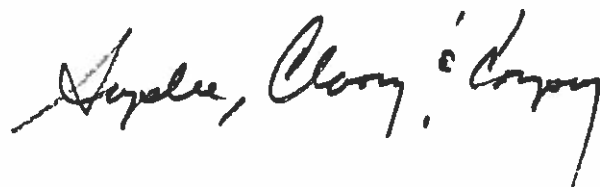
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Parking Authority of the City of Elizabeth's basic financial statements. The supplemental data schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental data schedules 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 audit 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 financial statements and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2022 on our consideration of The Parking Authority of the City of Elizabeth'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 performed in accordance with *Government Auditing Standards* in considering The Parking Authority of the City of Elizabeth's internal control over financial reporting and compliance.

February 28, 2022

A handwritten signature in black ink that reads "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.



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

The Board of Commissioners
Parking Authority of the City of Elizabeth
Elizabeth, New Jersey 07201

We have audited, in accordance with the 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, the financial statements of The Parking Authority of the City of Elizabeth as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise The Parking Authority of the City of Elizabeth's financial statements, and have issued our report thereon dated February 28, 2022.

Internal Control Over Financial Reporting

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 Elizabeth'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 effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 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.

February 28, 2022



MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis Unaudited

In this section of the annual report, management of the Parking Authority of the City of Elizabeth (the "Authority") presents a narrative discussion and analysis of the Authority's financial activities for the years ended December 31, 2020 and 2019. This section of the report should be read in conjunction with the Authority's audited financial statements and supplementary information for the years ended December 31, 2020 and 2019. The Authority's audited financial statements are presented in conformity with U.S. generally accepted accounting principles.

Financial Highlights

Total Assets and Deferred Outflows amount to \$15.2 million and \$15.6 million at December 31, 2020 and 2019, respectively. Total Assets and Deferred Outflows are largely comprised of Cash and Cash Equivalents, Deferred Outflows and Fixed Assets.

Total Liabilities and Deferred Inflows amount to \$16.1 million and \$15.8 million at December 31, 2020 and 2019, respectively. Liabilities are largely comprised of Bonds Payable financing the investments in fixed assets. Liabilities includes the Net Pension Liability of \$2.5 million in each year, and the Net OPEB Liability of \$4.0 million and \$2.8 million, at December 31, 2020 and 2019, respectively. Deferred Inflows total \$3.7 million and \$4.0 million, at December 31, 2020 and 2019, respectively; largely related to the Net Pension Liability and OPEB Liability. Working capital balances are adequate to meet the operational needs of the Authority.

Operating Revenues total \$3.0 million, a decrease of \$1.6 million or 34% from 2019. The decrease is largely attributed to reduced parking activity due to the COVID-19 Pandemic in 2020. Operating Revenues include \$374 thousand and \$366 thousand of rental income in the years 2020 and 2019, respectively, resulting from the rental of office space in the office building adjacent to the Bollwage Garage which is managed by the Elizabeth Parking Authority.

Operating Expenses total \$3.8 million, a decrease of \$600 thousand or 14% from 2019. Operating Costs decreased \$410 thousand while depreciation expense decreased \$358 thousand largely due to a depreciation adjustment reflected in 2019.

Financial Analysis

The following comparative condensed financial statements and other selected information serve as key financial data and indicators for management, monitoring and planning.

Condensed Financial Statements

Condensed Statement of Net Position

| | December 31, <u>2020</u> | December 31, <u>2019</u> | <u>Net Change</u> | <u>2018</u> |
|-----------------------------------------------|-----------------------------|-----------------------------|---------------------|----------------------|
| Assets | | | | |
| Cash and Cash Equivalents | \$ 1,688,824 | \$ 2,604,058 | \$ (915,232) | \$ 2,513,457 |
| Fixed Assets (Net) | 11,623,996 | 12,097,201 | (473,205) | 12,800,923 |
| Accounts Receivable | 74,484 | 133,913 | (59,429) | 148,700 |
| Other Assets | 246,278 | 246,103 | 175 | 246,208 |
| Deferred Outflows - Pension Related | 556,675 | 515,152 | 41,523 | 914,218 |
| Deferred Outflows - OPEB Related | 992,471 | 42,429 | 950,042 | 1,759 |
| Total Assets and Deferred Outflows | \$ 15,182,728 | \$ 15,638,854 | \$ (456,126) | \$ 16,625,265 |
| Liabilities | | | | |
| Accounts Payable and Accrued Expenses | \$ 380,726 | \$ 437,976 | \$ (57,250) | \$ 337,579 |
| Bonds Payable | 5,000,000 | 5,370,000 | (370,000) | 5,725,000 |
| Capital Lease Payable | 242,027 | 242,027 | - | 317,636 |
| Payable to PACE | - | 226,247 | (226,247) | 232,606 |
| Deferred Revenues | 320,997 | 258,272 | 62,725 | 212,383 |
| Net Pension Liability | 2,462,916 | 2,503,809 | (40,893) | 2,940,983 |
| Net OPEB Liability | 3,961,356 | 2,786,020 | 1,175,336 | 3,328,060 |
| Deferred Inflows - Premium on Sale of Bonds | 165,088 | 175,460 | (10,372) | 185,832 |
| Deferred Inflows - Pension Related | 1,195,562 | 1,162,470 | 33,092 | 1,097,595 |
| Deferred Inflows - OPEB Related | 2,345,592 | 2,687,047 | (341,455) | 2,408,738 |
| Total Liabilities and Deferred Inflows | \$ 16,074,264 | \$ 15,849,328 | \$ 224,936 | \$ 16,786,412 |
| Net Position | | | | |
| Invested in Capital Assets | \$ 6,381,969 | \$ 6,485,174 | \$ (103,205) | \$ 6,758,287 |
| Restricted | 549,778 | 549,630 | 148 | 548,726 |
| Unrestricted | (7,823,283) | (7,245,278) | (578,005) | (7,468,160) |
| Total Net Position | \$ (891,536) | \$ (210,474) | \$ (681,062) | \$ (161,147) |
| Total Liabilities and Net Position | \$ 15,182,728 | \$ 15,638,854 | \$ (456,126) | \$ 16,625,265 |

Condensed Statement of Revenue, Expenses, and Changes in Net Position

| | December 31, <u>2020</u> | December 31, <u>2019</u> | <u>Net Change</u> | <u>December 31, 2018</u> |
|----------------------------------------------------------|-----------------------------|-----------------------------|---------------------|------------------------------|
| Operating Revenues | \$ 2,968,706 | \$ 4,522,743 | \$ (1,554,037) | \$ 4,267,622 |
| Operating Expenses | 3,725,395 | 4,440,952 | (715,557) | 3,460,581 |
| Operating Income (Loss) | \$ (756,689) | \$ 81,791 | \$ (838,480) | \$ 807,041 |
| Non-Operating Revenues (Expenses) | 75,627 | (131,118) | 206,745 | (149,390) |
| Net Income (Loss) | \$ (681,062) | \$ (49,327) | \$ (631,735) | \$ 657,651 |
| Net Position, Beginning of Year - as originally reported | (210,474) | (161,147) | (49,327) | (818,798) |
| Net Position, End of Year | \$ (891,536) | \$ (210,474) | \$ (681,062) | \$ (161,147) |

**SCHEDULE OF PARKING FEES
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, 2018, 2017, 2016, 2015, 2014, AND 2013**

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Parking Fees: | | | | | | | | |
| On Street: | | | | | | | | |
| Zone 1 | \$ 164,404 | \$ 356,227 | \$ 340,865 | \$ 329,318 | \$ 342,594 | \$ 295,000 | \$ 274,748 | \$ 248,867 |
| Zone 2 | 226,615 | 378,268 | 386,673 | 325,589 | 361,129 | 273,944 | 335,076 | 204,889 |
| Zone 3 | 219,900 | 395,907 | 355,775 | 363,779 | 405,841 | 292,861 | 260,489 | 282,093 |
| Zone 4 | 100,414 | 108,195 | 72,000 | 63,537 | 69,222 | 107,430 | 38,062 | 46,858 |
| | <u>\$ 711,333</u> | <u>\$ 1,238,597</u> | <u>\$ 1,155,313</u> | <u>\$ 1,082,223</u> | <u>\$ 1,178,786</u> | <u>\$ 969,235</u> | <u>\$ 908,375</u> | <u>\$ 782,707</u> |
| Off Street: | | | | | | | | |
| Lot 01 | 206,608 | 431,326 | 413,581 | 388,489 | 388,283 | 309,484 | 298,013 | 203,339 |
| Lot 02 | 636,663 | 642,998 | 666,593 | 687,460 | 722,848 | 663,336 | 469,875 | 374,560 |
| Lot 03 | 35,586 | 56,621 | 64,122 | 56,777 | 55,737 | 46,794 | 42,933 | 32,429 |
| Lot 04 | 20,779 | 20,017 | 17,735 | 17,372 | 20,380 | 16,408 | 17,938 | 21,489 |
| Lot 05 | 148,000 | 298,123 | 329,773 | 161,751 | | | | |
| Lot 06 | 551,342 | 1,047,859 | 1,144,651 | 1,224,918 | 1,175,649 | 1,098,491 | 914,925 | 813,276 |
| Lot 07 | | | | | | | | |
| Lot 08 | 13,137 | 22,084 | 20,174 | 21,642 | 24,196 | 20,919 | 20,973 | 23,302 |
| Lot 09 | 54,628 | 79,322 | 84,698 | 85,746 | 82,710 | 72,077 | 82,536 | 77,269 |
| Lot 10 | 7,112 | 12,572 | 9,930 | 9,978 | 15,767 | 19,245 | 13,901 | 9,521 |
| Lot 11 | 0 | 0 | 15,354 | 39,500 | 33,820 | 31,666 | 78,375 | 71,655 |
| Lot 12 | | | | | | | | |
| Lot 13 | | | | | | | | |
| Lot 14 | | | | | | | | |
| Lot 15 | | | | | | | | |
| Lot 16 | 17,064 | 22,577 | 19,868 | 22,480 | 22,104 | 28,103 | 23,862 | 25,534 |
| Lot 17 | 14,461 | 19,270 | 17,490 | 20,203 | 20,104 | 18,776 | 16,900 | 11,548 |
| Lot 18 | | | | | | | | |
| | <u>\$ 1,705,380</u> | <u>\$ 2,652,769</u> | <u>\$ 2,803,969</u> | <u>\$ 2,736,316</u> | <u>\$ 2,561,598</u> | <u>\$ 2,325,299</u> | <u>\$ 1,980,231</u> | <u>\$ 1,663,922</u> |
| Total | <u>\$ 2,416,713</u> | <u>\$ 3,891,366</u> | <u>\$ 3,959,282</u> | <u>\$ 3,818,539</u> | <u>\$ 3,740,384</u> | <u>\$ 3,294,534</u> | <u>\$ 2,888,606</u> | <u>\$ 2,446,629</u> |

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's budget, and other management tools were used for this analysis.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses and Changes to Net Position; a Statement of Cash Flows; and Notes to the financial statements.

The Statement of Net Position presents the financial position of the Authority on a full accrual historical cost basis. This statement presents information on all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position is one indicator of whether the financial position of the Authority is improving or deteriorating.

While the Statement of Net Position provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses and Changes to Net Position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Summary of Organization and Business

The Parking Authority of the City of Elizabeth (the "Authority") was created by the City of Elizabeth (the "City") through ordinance pursuant to authority granted by statutes in 1954. An Agreement was entered into between the City and the Parking Authority providing that the Parking Authority would undertake the management and operation of the existing on-street metered parking system and have the exclusive right and power to institute, manage and operate a system of on-street and off-street parking within the City.

Revenue is provided primarily from parking fees collected from customers using the parking lots or metered spaces.

Bonds Payable

The Authority issued bonds for the purpose of paying construction costs relating to the Authority's parking system. A summary of the Bonds Payable activity for the year is as follows:

| | |
|------------------------------------|---------------------|
| Bonds Payable at December 31, 2019 | \$5,370,000 |
| Scheduled Principal Payments | (370,000) |
| Bonds Issued | <u> --</u> |
| Bonds Payable at December 31, 2020 | <u>\$5,000,000</u> |

Related Parties

The Authority has joined with the City of Elizabeth, the County of Union, Union County College, PACE QALICB, Inc., Elizabeth Development Company, Elizabeth Development CDE-2, LLC, and EDC-PA Parking Lender, LLC in a Memorandum of Understanding for the purpose of constructing a 1,500 space parking garage facility in the City of Elizabeth in an area designated for Redevelopment. The Facility provides additional parking for the employees and visitors of the County, the faculty and students of the College and visitors to the City.

PACE QALICB, Inc. contracted with the Authority for the construction of the facility under a Construction and Disbursement Agreement. The completed Facility is owned by PACE QALICB, Inc. and operated and managed by the Authority under an Operation and Management Agreement.

The parking garage facility was completed in December 2011 and began operations in 2012.

As a party to the Memorandum of Understanding for the purpose of constructing and managing a 1,500-space parking garage facility in the City of Elizabeth in an area designated for Redevelopment, in July 2019 the tax credit compliance period expired. Accordingly, US Bancorp Community Development Corporation exercised its option under the original transaction documents and exited the NMTC program for this project.

With US Bancorp exercising its Put option, the Parking Authority of the City of Elizabeth acquired US Bancorp's 100% interest in CDE for a purchase price of \$240,589. This purchase is reflected on the Statement of Net Position as Interest in CDE.

Contacting the Authority's Management

Any questions about the Authority's report or if additional information is needed, please contact the Executive Director of Parking Authority of the City of Elizabeth, 233 Commerce Place, Elizabeth, New Jersey 07201.

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BASIC FINANCIAL STATEMENTS

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------------------|----------------------|----------------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 223,528 | \$ 209,842 |
| Parking Fees Receivable | 74,484 | 65,570 |
| Rent Receivable | - | 68,343 |
| Prepaid Expenses | 5,689 | 5,514 |
| | <u>303,701</u> | <u>349,269</u> |
| <u>TOTAL CURRENT ASSETS</u> | \$ 303,701 | \$ 349,269 |
| Restricted Assets: | | |
| Revenue Account: | | |
| Cash and Cash Equivalents | \$ 895,351 | \$ 1,824,417 |
| Revenue Fund | | |
| Cash and Cash Equivalents | 11 | 11 |
| Debt Service Fund: | | |
| Cash and Cash Equivalents | 549,778 | 549,630 |
| Costs of Issuance Fund: | | |
| Cash and Cash Equivalents | 20,156 | 20,156 |
| Refunding Reserve Fund: | | |
| Cash and Cash Equivalents | - | - |
| | <u>1,465,296</u> | <u>2,394,214</u> |
| <u>TOTAL RESTRICTED ASSETS</u> | \$ 1,465,296 | \$ 2,394,214 |
| Fixed Assets: | | |
| Land, Buildings and Equipment - at Cost | \$ 21,359,016 | \$ 21,198,497 |
| Less: Accumulated Depreciation | 9,735,020 | 9,101,296 |
| Net Fixed Assets | <u>11,623,996</u> | <u>12,097,201</u> |
| Interest in CDE | 240,589 | 240,589 |
| | <u>11,864,585</u> | <u>12,337,790</u> |
| <u>TOTAL NON-CURRENT ASSETS</u> | \$ 11,864,585 | \$ 12,337,790 |
| | <u>13,633,582</u> | <u>15,081,273</u> |
| <u>TOTAL ASSETS</u> | \$ 13,633,582 | \$ 15,081,273 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | |
| Deferred Outflow of Resources: | | |
| Pension Related | \$ 556,675 | \$ 515,152 |
| OPEB Related | 992,471 | 42,429 |
| | <u>1,549,146</u> | <u>557,581</u> |
| <u>TOTAL DEFERRD OUTFLOWS OF RESOURCES</u> | \$ 1,549,146 | \$ 557,581 |
| | <u>15,182,728</u> | <u>15,638,854</u> |
| <u>TOTAL ASSETS AND DEFERRED OUTFLOWS</u> | \$ 15,182,728 | \$ 15,638,854 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------------------------|----------------------|----------------------|
| <u>LIABILITIES AND NET POSITION</u> | | |
| Current Liabilities Payable From Unrestricted Assets: | | |
| Accounts Payable | \$ 315,769 | \$ 375,992 |
| Accrued Payroll | 44,232 | 40,148 |
| Payroll Deductions Payable | 7,198 | 7,349 |
| Deferred Revenue | 320,997 | 258,272 |
| Capital Lease Payable - Current Portion | 78,087 | - |
| | <u>766,283</u> | <u>681,761</u> |
| <u>TOTAL CURRENT LIABILITIES</u> | <u>\$ 766,283</u> | <u>\$ 681,761</u> |
| Current Liabilities Payable From Restricted Assets: | | |
| Accounts Payable | \$ - | \$ - |
| Revenue Bonds Payable - Current Portion | 380,000 | 370,000 |
| Accrued Interest Payable | 13,527 | 14,487 |
| | <u>393,527</u> | <u>384,487</u> |
| <u>TOTAL RESTRICTED LIABILITIES</u> | <u>\$ 393,527</u> | <u>\$ 384,487</u> |
| Noncurrent Liabilities: | | |
| Revenue Bonds Payable - Long Term Portion | \$ 4,620,000 | \$ 5,000,000 |
| Capital Lease Payable - Long Term Portion | 163,940 | 242,027 |
| Payable to PACE | - | 226,247 |
| Net Pension Liability | 2,462,916 | 2,503,809 |
| OPEB Liability | 3,961,356 | 2,786,020 |
| | <u>11,208,212</u> | <u>10,758,103</u> |
| Total Noncurrent Liabilities | <u>\$ 11,208,212</u> | <u>\$ 10,758,103</u> |
| | <u>\$ 12,368,022</u> | <u>\$ 11,824,351</u> |
| <u>TOTAL LIABILITIES</u> | <u>\$ 12,368,022</u> | <u>\$ 11,824,351</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | |
| Premium on Sale of Bonds, Net of Amortization | \$ 165,088 | \$ 175,460 |
| Pension Related | 1,195,562 | 1,162,470 |
| OPEB Related | 2,345,592 | 2,687,047 |
| | <u>3,706,242</u> | <u>4,024,977</u> |
| <u>TOTAL DEFERRED INFLOWS OF RESOURCES</u> | <u>\$ 3,706,242</u> | <u>\$ 4,024,977</u> |
| Net Position: | | |
| Invested in Capital Assets, Net of Related Liabilities | \$ 6,381,969 | \$ 6,485,174 |
| Restricted | 549,778 | 549,630 |
| Unrestricted | <u>(7,823,283)</u> | <u>(7,245,278)</u> |
| | <u>(891,536)</u> | <u>(210,474)</u> |
| <u>TOTAL NET POSITION</u> | <u>\$ (891,536)</u> | <u>\$ (210,474)</u> |
| <u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u> | | |
| <u>AND NET POSITION</u> | <u>\$ 15,182,728</u> | <u>\$ 15,638,854</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETHSTATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------------------------|-----------------------------------|-----------------------------------|
| Operating Revenue: | | |
| Parking Fees | \$ 2,417,127 | \$ 3,891,367 |
| Violations | 177,515 | 265,065 |
| Rental Income | <u>374,064</u> | <u>366,311</u> |
| <u>TOTAL OPERATING REVENUE</u> | \$ <u>2,968,706</u> | \$ <u>4,522,743</u> |
| Operating Expenses: | | |
| Operating Costs | \$ 3,208,839 | \$ 3,618,641 |
| Depreciation and Amortization Expense | 633,725 | 992,228 |
| Pension Expense Adjustment | (1,008) | 94,350 |
| OPEB Expense Adjustment | <u>(116,161)</u> | <u>(264,267)</u> |
| <u>TOTAL OPERATING EXPENSES</u> | \$ <u>3,725,395</u> | \$ <u>4,440,952</u> |
| <u>NET OPERATING INCOME</u> | \$ <u>(756,689)</u> | \$ <u>81,791</u> |
| Non-Operating Revenue (Expense): | | |
| Interest Income | \$ 12,551 | \$ 31,729 |
| Other Income | 235,957 | 31,493 |
| Interest Expense | <u>(172,881)</u> | <u>(194,340)</u> |
| <u>TOTAL NON-OPERATING REVENUE (EXPENSE)</u> | \$ <u>75,627</u> | \$ <u>(131,118)</u> |
| <u>NET INCOME (LOSS)</u> | \$ <u>(681,062)</u> | \$ <u>(49,327)</u> |
| Net Position, Beginning of Year | <u>(210,474)</u> | <u>(161,147)</u> |
| Net Position, End of Year | \$ <u><u>(891,536)</u></u> | \$ <u><u>(210,474)</u></u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------------------------------------------------------------|----------------------------|----------------------------|
| <u>Cash Flows from Operating Activities:</u> | | |
| Receipts from Parking Fees | \$ 2,501,205 | \$ 3,978,667 |
| Receipts from Violations | 181,670 | 282,845 |
| Receipts from Rental Income | 407,985 | 321,907 |
| Payments to Suppliers | (1,829,728) | (2,206,813) |
| Payments to Employees | <u>(1,333,980)</u> | <u>(1,460,322)</u> |
| <u>Net Cash Provided (Used) by Operating Activities</u> | \$ <u>(72,848)</u> | \$ <u>916,284</u> |
| <u>Cash Flows from Capital and Related Financing Activities:</u> | | |
| Acquisition of Capital Assets | \$ (202,714) | \$ (246,311) |
| Principal Payments on Long-Term Debt | (370,000) | (355,000) |
| Interest Paid on Bonds | (173,841) | (184,841) |
| Principal Payments on Capital Lease | - | (75,609) |
| Interest Paid on Capital Lease | <u>-</u> | <u>(10,415)</u> |
| <u>Net Cash Used in Capital and Related Financing Activities</u> | \$ <u>(746,555)</u> | \$ <u>(872,176)</u> |
| <u>Cash Flows from Investing Activities:</u> | | |
| Interest Received | \$ 12,551 | \$ 31,729 |
| Payments to PACE | (226,247) | (6,359) |
| Miscellaneous Receipts | <u>117,867</u> | <u>21,121</u> |
| <u>Net Cash Provided (Used) by Investing Activities</u> | \$ <u>(95,829)</u> | \$ <u>46,491</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | \$ (915,232) | \$ 90,599 |
| Cash and Cash Equivalents, Beginning of Year | <u>2,604,056</u> | <u>2,513,457</u> |
| Cash and Cash Equivalents, End of Year | \$ <u><u>1,688,824</u></u> | \$ <u><u>2,604,056</u></u> |
| <u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u> | | |
| Net Income (Loss) From Operations | \$ (756,689) | \$ 81,791 |
| Add Expenses Not Using Working Capital: | | |
| Depreciation | 633,725 | 992,228 |
| Add (Deduct) Changes in Non-Cash Working Capital: | | |
| Parking Fees Receivable | (13,069) | 65,350 |
| Rent Receivable | 68,343 | (68,343) |
| Violations Receivable | 4,155 | 17,780 |
| Prepaid Expenses | (175) | 105 |
| Accounts Payable | 41,373 | (1,415) |
| Accrued Payroll | 4,084 | 6,088 |
| Payroll Deductions Payable | (151) | (53,272) |
| Deferred Revenue | 62,725 | 45,889 |
| Pension Expense Adjustment | (1,008) | 94,350 |
| OPEB Expense Adjustment | <u>(116,161)</u> | <u>(264,267)</u> |
| <u>Net Cash Provided (Used) by Operating Activities</u> | \$ <u>(72,848)</u> | \$ <u>916,284</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(1) GENERAL

The Parking Authority of the City of Elizabeth (the "Authority") was created by the City of Elizabeth (the "City") through an ordinance pursuant to The Parking Authority Law of the State of New Jersey, as amended and supplemented. An Agreement was entered into between the City and the Parking Authority providing that the Parking Authority would undertake the management and operation of the existing on-street metered parking system and have the exclusive right and power to institute, manage and operate a system of on-street and off-street parking within the City. The Authority owns and operates three multi-level parking garages and various off-street lots throughout the City of Elizabeth. In addition, the Authority operates a garage facility owned by PACE QALICB, Inc. As a public body, under existing statute, the Parking Authority is exempt from both federal and state taxes.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the GASB's accounting policies are described below.

Reporting Entity

The Authority's financial statements include the operations of on-street and off-street parking in the City of Elizabeth for which the Board of Commissioners of the Authority exercises financial accountability. Board members are appointed to five-year terms by the City of Elizabeth. There are no additional entities required to be included in the reporting entity and the Authority is not included in any other reporting entity.

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis and in accordance with generally accepted accounting principles applicable to enterprise funds of state and local governments. An Enterprise Fund is used to account for operations: (i) that are financed primarily through user charges, or (ii) where the governing body has decided that determination of net income is appropriate.

The accounting and financial reporting applied by the Authority is determined by its measurement focus. The financial statements are reported using the economic measurement focus and the accrual basis of accounting. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included in the Statements of Net Position. Net Position (totals assets and deferred outflows net of total liabilities and deferred inflows) is segregated into invested in capital assets, restricted and unrestricted components.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions

The Authority implemented GASB 68 in the Year 2015. This Statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2015.

The Authority has also implemented GASB Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non-employer contributing entity that arise from other types of events.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions (Continued)

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

Under GAAP, Authorities are required to recognize the pension liability in the Statements of Revenues, Expenses, Changes in Net Assets (balance sheets) and Notes to the Financial Statements in accordance with GASB 68. The liability required to be displayed by GASB 68 is displayed as a separate line item in the Unrestricted Net Liabilities area of the balance sheet.

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)

The Authority implemented GASB 75 in the Year 2017. The Governmental Accounting Standards Board (GASB) Statement no. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*" establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. It also requires the State of New Jersey to calculate and allocate to each participating member, for note disclosure purposes only, the OPEB net liability of New Jersey Health Benefits Local Government Retiree Plan (the Plan). The statement does not alter the amount of funds that must be budgeted for OPEB payment under existing state law.

Under GAAP, Authorities are required to recognize the OPEB liability in the Statements of Revenues, Expenses, Changes in Net Position (balance sheets) and Notes to the Financial Statements in accordance with GASB 75. The liability required to be displayed by GASB 75 is displayed as a separate line item in the Unrestricted Net Liabilities area of the balance sheet.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, 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. Currently, the Authority has two items that qualify for reporting in this category, deferred amounts related to pensions and OPEB.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows 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 that time. Currently, the Authority has three items that qualify in this category: deferred amounts related to pension, OPEB, and deferred bond premium.

Vacation and Sick Leave

Authority employees are granted vacation in varying amounts and earn certain sick leave time. In the event of termination, an employee is reimbursed for accumulated vacation days. All employees are eligible for the reimbursement of accumulated sick leave which is capped. Accumulated unpaid vacation and sick leave is accrued when incurred.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

In accordance with the 1992 bond resolution, the Authority has established the following cash and investment accounts with a trustee:

| <u>Account</u> | <u>Purpose</u> |
|----------------------|-------------------------------------------------------------------------------|
| Revenue | All revenues received by the authority are first deposited into this account. |
| Operating | All reasonable and necessary operating costs. |
| Debt Service Reserve | To pay principal and interest on bonds when due. |
| Surplus | To deposit monies after all other funds have been satisfied. |

Net Position

Equity is classified as net position and displayed in three components:

- 1) Invested in Capital Assets - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted - when constraints placed on net position are either a) externally imposed by creditors (such as the bond resolution), grantors, or laws or regulations of other governments or b) imposed by law.
- 3) Unrestricted - any other net position that does not meet the definition of "restricted" or "invested in capital assets."

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Depreciation is determined on a straight-line basis, for all plant and equipment. Depreciation is provided for over the following estimated useful lives;

| | |
|----------------------------|----------|
| Buildings and Improvements | 40 years |
| Machinery and Equipment | 15 years |
| Furniture and Fixtures | 10 years |
| Vehicles | 5 years |

Details of property, plant and equipment as of December 31, 2020 and 2019 are as follows:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|---------------------|---------------------|
| Land | \$ 1,661,546 | \$ 1,661,546 |
| Buildings and improvements | 17,559,160 | 17,398,642 |
| Machinery and equipment | 1,757,134 | 1,757,134 |
| Furniture | 60,520 | 60,520 |
| Vehicles | 320,655 | 320,655 |
| Construction in Progress | <u> --</u> | <u> --</u> |
| | \$21,359,016 | \$21,198,497 |
| Less: Accumulated Depreciation | <u> 9,735,020</u> | <u> 9,101,296</u> |
| Net Property, Plant and Equipment | <u>\$11,623,996</u> | <u>\$12,097,201</u> |

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and Cash Equivalents are stated at cost which approximates fair value. Cash Equivalents include cash in banks with original maturities of less than three months.

Receivables

From time to time the Authority may reflect outstanding Receivables for Parking Fees, Violations, and Rents. No allowance for uncollectable has been recorded as the Authority believes these receivables to be fully collectable.

Inventory

Inventory of spare parts and supplies is recorded as an expense when purchased and accordingly, is not included in the statements of net position.

Income Taxes

No provision for income taxes has been made as the Authority is exempt from Federal and State income taxes.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(3) BUDGETARY PROCEDURES

The Authority follows these procedures in establishing the Operating Fund budget:

The annual budget for each fiscal year of the Authority is introduced by resolution passed by not less than a majority of the governing body. Copies are submitted to the Director of the Division of Local Government Services Director prior to the beginning of the Authority's fiscal year for approval prior to its adoption.

The budget must comply with the terms and provisions of any security agreements, and is to be in such form and detail as to items of revenue, expenses and other contents as required by law or by rules and regulations of the Local Finance Board.

No authority budget can be finally adopted until the Director has approved the budget.

Public hearings are conducted to obtain citizen comments on the proposed budget.

Operating expense appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

The level at which expenditures cannot exceed the budget is at the total budget level.

The budget may be increased after adoption when an item of revenue has been made available after the adoption date.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(4) CASH AND CASH EQUIVALENTS:

The components of cash and cash equivalents are summarized as follows:

| | <u>Unrestricted</u> | <u>Restricted</u> |
|--------------------|---------------------|--------------------|
| December 31, 2020: | | |
| Cash in Banks | \$175,238 | \$ -- |
| Cash on Hand | 48,290 | -- |
| Money Market | <u> --</u> | <u>1,465,296</u> |
| Total | <u>\$223,528</u> | <u>\$1,465,296</u> |
| December 31, 2019: | | |
| Cash in Banks | \$161,552 | \$ -- |
| Cash on Hand | 48,290 | -- |
| Money Market | <u> --</u> | <u>2,394,214</u> |
| Total | <u>\$209,842</u> | <u>\$2,394,214</u> |

The Authority maintains its accounts in two banks. The cash on deposit of the Authority is partially insured by Federal Deposit Insurance Corporation in the amount of \$250,000 in each depository. Balances above the federal depository insurance amount are insured by the State of New Jersey Government Unit Deposit Protection Act.

(5) CHANGES IN FIXED ASSETS

The following is a summary of the changes in fixed assets for the year ending December 31, 2020:

| | <u>Balance Jan 1, 2020</u> | <u>Additions</u> | <u>Transfers</u> | <u>Balance Dec 31, 2020</u> |
|----------------------------|--------------------------------|--------------------|------------------|---------------------------------|
| Land | \$ 1,661,546 | \$ -- | \$ -- | \$ 1,661,546 |
| Buildings and Improvements | 17,398,642 | 160,519 | -- | 17,559,161 |
| Machinery and Equipment | 1,757,134 | -- | -- | 1,757,134 |
| Furniture | 60,520 | -- | -- | 60,520 |
| Vehicles | 320,655 | -- | -- | 320,655 |
| Construction in Progress | <u> --</u> | <u> -</u> | <u> -</u> | <u> --</u> |
| | \$21,198,497 | \$ 160,519 | \$ -- | \$21,359,016 |
| Less: | | | | |
| Accumulated Depreciation | <u>9,101,296</u> | <u>633,724</u> | <u> --</u> | <u>9,735,020</u> |
| Net Fixed Assets | <u>\$12,097,201</u> | <u>\$(473,205)</u> | <u>\$ --</u> | <u>\$11,623,996</u> |

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(6) INTEREST IN CDE

As a party to the Memorandum of Understanding for the purpose of constructing and managing a 1,500-space parking garage facility in the City of Elizabeth in an area designated for Redevelopment, in July 2015 the tax credit compliance period expired. Accordingly, US Bancorp Community Development Corporation exercised its Put option under the original transaction documents and exited the NMTC program for this project.

With the exercise of this Put option, the Parking Authority of the City of Elizabeth acquired US Bancorp's 100% interest in CDE for a purchase price of \$240,589. This purchase is reflected on the Statement of Net Position as Investment in CDE.

(7) BONDS PAYABLE

A. City Guaranteed Parking Revenue Refunding Bonds, Series 2014 (Series 2006 Refunding:

On November 9, 2006, the Authority passed the 2006 Bond Resolution in the amount of \$3,500,000 for the purpose of Capital Improvements to the various parking lots. The Bonds included interest ranging from 4.00% to 4.50%.

In 2014, the Authority refunded the bonds in the amount of \$2,665,000 reducing the interest rate to 2.4%. These bonds will mature in December 2026.

The principal amount outstanding on these bonds at December 31, 2020 and 2019 amounts to \$1,335,000 and \$1,540,000, respectively.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(7) BONDS PAYABLE (CONTINUED)

B. City Guaranteed Parking Revenue Bonds, Series 2019:

In October 2017 the Authority issued City Guaranteed Parking Revenue Bonds, Series 2017, for the purpose of acquiring the Midtown Garage from the Elizabeth Development Company. Bonds totaling \$4,120,000 were issued. The bonds include interest starting at 4.00% and reducing to 3.125%. These bonds will mature in December 2036.

A premium of \$198,797 was realized upon the sale of the bonds. The premium on the bonds is being amortized over the term of the bonds and is included in Deferred Inflows of Resources.

The principal amount outstanding on these bonds at December 31, 2020 and 2019 amounts to \$3,665,000 and \$3,830,000, respectively.

Aggregate principal debt payment requirements during the next five years on these bonds is as follows:

| <u>Year</u> | <u>Principal Due</u> |
|-------------|----------------------|
| 2021 | \$ 380,000 |
| 2022 | 385,000 |
| 2023 | 405,000 |
| 2024 | 415,000 |
| 2025 | 430,000 |

(8) CAPITAL LEASE

In May 2017, the Authority entered into a Lease Purchase Agreement with First Niagara Leasing, Inc. for the acquisition of additional Metric Parking Meters. The lease is repayable over five (5) years with annual payments of \$86,023 payable from the operations of the Authority. This lease has been recorded as a Capitalized Lease Obligation for the purchase cost of \$395,200. The first lease payment was made in December 2018.

The payment due for January 1, 2020 was paid in December 2019. The outstanding balance as of December 31, 2020 amounts to \$242,027.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(9) COMPENSATED ABSENCES

Under the existing policy of the Authority, non-union employees are allowed to accumulate (with restrictions) unused vacation benefits and sick leave. Non-union employees may carryover vacation benefits to be used the following year. Sick leave can be carried over to subsequent years and do not expire. Non-union employees may be paid out for unused sick days upon cessation of their employment with the Authority for up to \$9,000.

The Authority has calculated the liability for unused sick and vacation leave time and has accrued \$221,225 and \$190,942 at December 31, 2020 and 2019, respectively.

(10) PENSION PLAN

All required full-time employees of the Authority are covered by the Public Employees' Retirement System which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes financial statements and required supplementary information for the system. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or online at www.state.nj.us/treasury/pensions.

The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provision of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(10) PENSION PLAN (CONTINUED)

The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage to elected and certain appointed officials and part-time employees, effective July 1, 2007. Part-time employees that earn an annual salary of at least \$5,000 and work less than 35 hours per week are eligible to enroll in the New Jersey Defined Contribution Plan (DCRP). The DCRP is offered through the Prudential Retirement Insurance and Annuity Company. Employees contribute 5.5% of salary and the Authority contributes 3% of salary, for a total contribution of 8.5%. Membership is mandatory for such individuals with vesting occurring after one year of membership. The Authority has no employees enrolled in the DCRP.

Significant Legislation

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the PERS system.

Pension Plan Design Changes

Effective June 28, 2011, P.L. 2011, c. 78, new members of PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

Funding Changes

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS was changed. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30-year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2020 for PFRS), the UAAL will be amortized over a closed 30-year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20-year period.

COLA Suspension

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(10) PENSION PLAN (CONTINUED)

Vesting and Benefit Provisions

The vesting and benefit provisions of PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after ten years of service, except for post-retirement healthcare benefits that vest after 25 years of service.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Contribution Requirements

The contribution policy is set by N.J.S.A. 43:15A, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Effective June 28, 2011, P.L. 2011, c. 78 provides for an increase in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for PERS.

Employers are required to contribute at an actuarially determined rate for PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

Contribution Requirements:

Three Year Trend Information for PERS

| <u>Year Ended December 31</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-----------------------------------|------------------------------------------|----------------------------------------------|-----------------------------------|
| 2020 | \$135,582 | 100% | \$135,582 |
| 2019 | 148,573 | 100% | 148,573 |
| 2018 | 148,573 | 100% | 148,573 |

DCRP Contributions

The Authority did not make DCRP contributions for the years ended December 31, 2020 and 2019.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(11) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68

Public Employees Retirement System (PERS)

At December 31, 2020, the Authority reported a net pension liability of \$2,462,916 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 (measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2019 which was rolled forward to June 30, 2020. 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 employers, actuarially determined. At June 30, 2020, the Authority's proportion was 0.0151030729 percent, which was an increase of 0.0012072937 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the State recognized an actuarially determined pension expense of \$96,632 for the Authority's proportionate share of the total pension expense. The pension expense recognized in the Authority's financial statement based on the April 1, 2020 billing was \$135,165.

At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

| | <u>Deferred Inflow of Resources</u> | <u>Deferred Outflow of Resources</u> |
|----------------------------------------------------------------------------------------------------------------|---------------------------------------------|----------------------------------------------|
| Changes of assumptions | \$1,031,246 | \$79,900 |
| Differences between expected and actual experience | 8,710 | 44,846 |
| Net difference between projected and actual earnings on pension plan investments | | 84,184 |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | 155,606 | 299,429 |
| Contributions subsequent to the measurement date | <u>—</u> | <u>48,316</u> |
| | <u>\$1,195,562</u> | <u>\$ 556,675</u> |

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(11) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Other amounts reported by the State as the Authority's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

| Year Ended | |
|----------------|---------------|
| <u>June 30</u> | <u>Amount</u> |
| 2021 | \$ (280,286) |
| 2022 | (252,996) |
| 2023 | (132,255) |
| 2024 | (36,348) |
| 2025 | 14,684 |

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which rolled forward to June 30, 2020. These actuarial valuations used the following assumptions:

| | <u>6/30/2020</u> | <u>6/30/2019</u> |
|-----------------------------------------------|-------------------|-------------------|
| Inflation – Price | 2.75 Percent | 2.25 Percent |
| Inflation – Wage | 3.25 Percent | -- |
| Salary Increases (based on years of service): | | |
| Through 2026 | 2.00-6.00 Percent | 1.65-4.15 Percent |
| Thereafter | 3.00-7.00 Percent | 2.65-5.15 Percent |
| Investment Rate of Return | 7.00 Percent | 7.00 Percent |

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(11) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

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 Healthy Retiree 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-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2019.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at both June 30, 2020 and June 30, 2019) 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 are summarized in the following table:

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(11) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Long-Term Rate of Return

| <u>Asset Class</u> | <u>June 30, 2020</u> | |
|----------------------------------|--------------------------|-----------------------------------------------|
| | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
| US Equity | 27.00% | 7.71% |
| Non-U.S. Developed Market Equity | 13.50% | 8.57% |
| Emerging Market Equity | 5.50% | 10.23% |
| Private Equity | 13.00% | 11.42% |
| Real Assets | 3.00% | 9.73% |
| Real Estate | 8.00% | 9.56% |
| High Yield | 2.00% | 5.95% |
| Private Credit | 8.00% | 7.59% |
| Investment Grade Credit | 8.00% | 2.67% |
| Cash Equivalents | 4.00% | 0.50% |
| U.S. Treasury's | 5.00% | 1.94% |
| Risk Mitigation Strategies | 3.00% | 3.40% |
| | <u>100.00%</u> | |

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(11) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% and 6.28% as of June 30, 2020 and June 30, 2019, respectively. 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 and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 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 Authority's proportionate share of the net pension liability of the participating employers as of June 30, 2020, respectively, 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 was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | 1% Decrease <u>6.00%</u> | June 30, 2020 At Current Discount Rate <u>7.00%</u> | 1% Increase <u>8.00%</u> |
|-------------------------------------------------------------|--------------------------------|--------------------------------------------------------------|--------------------------------|
| Authority's proportionate share of the pension liability | \$3,100,401 | \$2,462,916 | \$1,921,993 |

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(11) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295 or <http://www.state.nj.us/treasury/pensions>.

(12) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT
BENEFITS OTHER THAN PENSIONS – GASB 75

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. OPEB obligations are non-pension benefits that the municipality has contractually or otherwise agreed to provide employees once they have retired and, in most instances, will be for retirement health, prescription and dental insurance coverage.

Under current New Jersey budget and financial reporting requirements, the municipality is not required to fund any amounts in excess of their current costs on a pay-as-you-go basis or to accrue funds, create a trust or issue debt to finance their other post-employment benefit liability. Additionally, the municipality is not required to recognize any long-term obligations resulting from OPEB on their financial statements.

Plan Description and Benefits Provided

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment 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 Postemployment Benefits Other Than Pensions*; therefore, assets are accumulated to pay associated benefits.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(12) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT
BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

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

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52: 14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330.

The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Pursuant to Chapter 78, P.L, 2011, future retirees eligible for postretirement 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.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(12) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Contributions

The Authority's contributions to SHBP for the years ended December 31, 2020, 2019 and 2018 were \$72,271, \$80,267 and \$100,850, respectively, which equaled the required contributions for each year.

Total Net OPEB Liability

At June 30, 2020, the Plan reported a liability of \$3,961,356 for the Authority's proportionate share of the collective net OPEB liability. The total net OPEB liability measured as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020.

The Authority's proportion of the net OPEB liability was 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, 2019 through June 30, 2020.

At June 30, 2020, the Authority's proportion was 0.0220730 percent, which was an increase of 0.0015060 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the State reported net OPEB benefit of \$84,024. This net OPEB benefit was based on the OPEB plans June 30, 2020 measurement date.

At June 30, 2020, the State reported deferred outflows of resources and deferred inflows of resources related to net OPEB from the following sources:

| | <u>Deferred Outflow of Resources</u> | <u>Deferred Inflow of Resources</u> |
|-------------------------------------------------------------------------------|----------------------------------------------|---------------------------------------------|
| Differences between expected and actual experience | \$104,339 | \$737,678 |
| Change of Assumptions | 592,494 | 880,944 |
| Net difference between projected and actual earnings on OPEB plan investments | 2,516 | |
| Changes in proportion | 293,122 | 726,970 |
| Authority contributions subsequent to the measurement date | <u>10,513</u> | <u> </u> |
| | <u>\$1,002,984</u> | <u>\$2,345,592</u> |

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(12) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT
BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Total Net OPEB Liability (Continued)

The \$10,513 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date (i.e. for the year ending June 30, 2020, the plan measurement date is June 30, 2019) will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

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

| <u>Year Ended June 30</u> | <u>Amount</u> |
|-------------------------------|----------------------|
| 2021 | \$(299,713) |
| 2022 | (299,906) |
| 2023 | (300,218) |
| 2024 | (300,503) |
| 2025 | (232,509) |
| Total Thereafter | <u>79,726</u> |
| | <u>\$(1,353,121)</u> |

Actuarial Assumptions and Other Inputs

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:

| | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
|------------------------------------------------|----------------------|----------------------|
| Inflation rate | 2.50 Percent | 2.50 Percent |
| Salary Increases: | | |
| Public Employees Retirement System (PERS): | | |
| Initial fiscal Year Applied | | |
| Rate through 2026 | 2.00-6.00 Percent | 2.00-6.00 Percent |
| Rate thereafter | 3.00-7.00 Percent | 3.00-7.00 Percent |
| Police and Firemen's Retirement System (PFRS): | | |
| Rate for all future years | 3.25-15.25 Percent | 3.25-15.25 Percent |

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(12) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT
BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

| | |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mortality: | |
| PERS | Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using scale MP-2020 |
| PFRS | Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using scale MP-2020 |

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

Actuarial assumptions used in the July 1, 2019 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long-term trend rate after seven years.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(12) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT
BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Discount Rate

The discount rate for June 30, 2020 and 2019 was 2.21% and 3.50%, 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 the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB liability associated with the Authority as of June 30, 2020, 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:

| | 1% Decrease <u>1.21%</u> | June 30, 2020 At Current Discount Rate <u>2.21%</u> | 1% Increase <u>3.21%</u> |
|--------------------------------------------------------------|--------------------------------|--------------------------------------------------------------|--------------------------------|
| Authority's proportionate share of the Net OPEB liability | \$4,683,160 | \$3,961,356 | \$3,389,983 |

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in Healthcare Trends

The following presents the net OPEB liability associated with the Authority as of June 30, 2020, 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

| | 1% Decrease | June 30, 2020 At the Healthcare Cost Trend Rate | 1% Increase |
|--------------------------------------------------------------|----------------|-------------------------------------------------------|----------------|
| Authority's proportionate share of the Net OPEB liability | \$3,278,026 | \$3,961,356 | \$4,856,185 |

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(12) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey State Health Benefits Local Government Retired Employees Plan. The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

(13) SUPPLEMENTARY CASH FLOW INFORMATION

Interest paid in the years ended December 31, 2020 and 2019, amounted to \$173,841 and \$184,841, respectively.

(14) RELATED PARTY TRANSACTIONS

The Authority has contracted with PACE QALICB, Inc. (PACE) for the construction and management of a multi-level garage facility in the City of Elizabeth designated as Redevelopment. PACE is a 501(c)(3) organization that is a qualified active low-income community business. Two employees of the Authority are on the Board of Trustees of PACE. The project is known as the Elizabethtown Plaza Redevelopment Project.

The Authority has entered into a Ground Lease Agreement, a Construction Agreement and a Lease and Operation and Management Agreement with PACE relating to the project. In addition, the Authority has entered into an Easement and License Agreement with the County of Union for the use of parking spaces in the new facility. Easement and license payments due to the Authority under this agreement have been assigned to PACE.

Under the Second Amendment to the Operation and Management Agreement, the Authority will make annual operating fee payments to PACE in accordance with a payment schedule. The agreement expires in the year 2041. Payments under this agreement could change depending on the cash flow requirements of PACE. Operating fee payments under this agreement will be made on an as needed basis. A payment of \$69,142 and \$297,175 was made for the years 2020 and 2019, respectively.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(15) LEASE AGREEMENTS

Under the Operation and Management Agreement with PACE, the Authority consummated lease agreements with the State of New Jersey, Division of Property Management and Construction ("State") for office rental space in the office building adjacent to the J. Christian Bollwage Garage in Elizabeth, New Jersey which is managed by the Authority:

- a) In March 2018, two floors of the PACE office building were leased to the Department of Treasury, Office of the Public Defender, Law Guardian and Trial Unit ("Public Defender"). The lease has a term of ten (10) years beginning in August 2018. Office Rent for years 1 through 5 will total \$374,064 annually and for years 6 through 10 will total \$428,615 annually. Rental income of \$374,064 and \$366,311 was recognized by the Authority in the years ended December 31, 2020 and 2019, respectively.

In addition to the rental of office space, the lease provides for 25 parking spaces for use by the State Public Defender's Office in the adjacent garage. The rent for the parking spaces for years 1 through 5 of the lease amounts to \$61,200 annually.

- b) In July 2020, one floor of the PACE office building was leased to the Department of Transportation, Motor Vehicle Commission ("Motor Vehicle Commission"). The lease has a term of ten (10) years beginning in 2021 upon completion of the tenant build-out. Rent for years 1 through 5 will total \$169,728 annually and for years 6 through 10 will total \$194,480 annually.

In addition to the rental of office space, the lease provides for 28 parking spaces for use by the Motor Vehicle Commission's Office in the adjacent garage. The monthly rent for the parking spaces for years 1 through 5 of the lease amounts to \$43,680 annually.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(16) NET POSITION

The components of net position are as follows:

| | <u>December 31,</u> | |
|-----------------------------------------------------------|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Net Position: | | |
| Invested in Capital Assets, Net of Related Liabilities | \$6,381,969 | \$6,485,174 |
| Restricted – Debt Service Fund | <u>549,778</u> | <u>549,630</u> |
| Total Restricted | <u>\$6,931,747</u> | <u>\$7,034,804</u> |
| Unrestricted | | |
| Operating | 592,997 | 1,336,487 |
| Net Pension Liability | (3,101,803) | (3,151,127) |
| Net OPEB Liability | <u>(5,314,477)</u> | <u>(5,430,638)</u> |
| Total Unrestricted | <u>(7,823,283)</u> | <u>(7,245,278)</u> |
| Total Net Position | <u>\$ (891,536)</u> | <u>\$ (210,474)</u> |

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(17) SUBSEQUENT EVENTS

The Authority has evaluated subsequent events occurring after the financial statement date through February 28, 2022, which is the date the financial statements were available to be issued. The Authority has determined that the following subsequent events have occurred which require disclosure in the financial statements:

- A. Reference Note No. 15. In July 2020 the Authority consummated a lease agreement with the State of New Jersey, Division of Property Management and Construction ("State") for office rental space in the office building adjacent to the J. Christian Bollwage Garage in Elizabeth, New Jersey which is managed by the Authority. One floor of the PACE office building was leased to the Department of Transportation, Motor Vehicle Commission ("Motor Vehicle Commission"). The lease has a term of ten (10) years. The Motor Vehicle Commission began occupancy on August 16, 2021. Rent for years 1 through 5 will total \$169,728 annually and for years 6 through 10 will total \$194,480 annually.
- B. The 2020 outbreak of the COVID-19 pandemic has had an immediate negative impact on economies on local, state, and national levels, including the Authority's financial results for the 2020 year. Given the dynamic nature of this pandemic, the extent to which the COVID-19 virus will continue to impact the Authority's results remain uncertain and cannot be predicted.
- C. The Authority has entered into construction contracts for fit-out of the first-floor office space totaling approximately \$1,026,000.
- D. In November 2021 the Authority issued bonds totaling \$14,880,000.

There are no other subsequent events that have occurred that require disclosure in the financial statements.

(18) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES

In the ordinary conduct of its business, the Authority may be a party to litigation. At December 31, 2020, in the opinion of management based upon consultation with legal counsel, there were no matters pending or threatened which would have a material adverse effect on financial position of the Authority.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

DECEMBER 31, 2020

GENERAL COMMENTS AND RECOMMENDATIONS

NONE

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SUPPLEMENTARY INFORMATION

THE PARKING AUTHORITY OF ELIZABETH
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

| Fiscal Year Ending <u>June 30,</u> | Authority's Proportion Share of the Net Pension Liability (Asset) | Authority's Proportionate Share of the Net Pension Liability (Asset) | Authority's Covered-Employee Payroll | Authority's Proportion Share of the Net Pension Liability (Asset) as a percentage of it's Covered- Employee Payroll | Plan Fiduciary Net Position as a percentage of the total Pension Liability |
|------------------------------------------|----------------------------------------------------------------------------|----------------------------------------------------------------------------------|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| 2013 | 0.0149190507% | \$ 2,851,327 | 972,841 | 293.09% | 48.72% |
| 2014 | 0.0144461528% | 2,704,715 | 944,962 | 286.22% | 40.71% |
| 2015 | 0.0131315370% | 2,947,767 | 962,147 | 306.37% | 42.74% |
| 2016 | 0.0140329812% | 4,133,230 | 1,026,464 | 402.67% | 40.13% |
| 2017 | 0.0150347606% | 3,248,351 | 1,023,602 | 317.35% | 48.10% |
| 2018 | 0.0149368100% | 2,940,983 | 996,886 | 295.02% | 53.60% |
| 2019 | 0.0138957792% | 2,503,809 | 1,068,362 | 234.36% | 56.27% |
| 2020 | 0.0151030729% | 2,462,916 | 993,409 | 247.93% | 58.33% |

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

SCHEDULE "R-2"

THE PARKING AUTHORITY OF ELIZABETH
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM.
LAST TEN YEARS

| <u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u> | <u>Contractually</u> <u>Required</u> <u>Contribution</u> | <u>Contributions in</u> <u>Relation to the</u> <u>Contractually</u> <u>Required</u> <u>Contributions</u> | <u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u> | <u>Authority's</u> <u>Covered-</u> <u>Employee</u> <u>Payroll</u> | <u>Contributions as</u> <u>a Percentage of</u> <u>Covered-</u> <u>Employee</u> <u>Payroll</u> |
|--------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| 2014 | \$ 119,092 | \$ 119,092 | -0- | 944,962 | 12.60% |
| 2015 | 112,896 | 112,896 | -0- | 962,147 | 11.73% |
| 2016 | 123,797 | 123,797 | -0- | 1,026,464 | 12.06% |
| 2017 | 139,281 | 139,281 | -0- | 1,023,602 | 13.61% |
| 2018 | 148,573 | 148,573 | -0- | 996,886 | 14.90% |
| 2019 | 149,166 | 149,166 | -0- | 1,068,362 | 13.96% |
| 2020 | 135,582 | 135,582 | -0- | 993,409 | 13.65% |

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

THE PARKING AUTHORITY OF ELIZABETH
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)
NOTE TO RSI III
FOR THE YEAR ENDED DECEMBER 31, 2020

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change of return, and the municipal bond index rate. There was a change (3.50%) to the current measurement date (3.50%), resulting in a change in the discount rate from 6.28% to 7.00%. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

THE PARKING AUTHORITY OF ELIZABETH
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE OPEB LIABILITY
STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN
LAST TEN YEARS

| Fiscal Year Ending <u>June 30,</u> | Authority's Proportion Share of the Net OPEB <u>Liability (Asset)</u> | Authority's Proportionate Share of the Net OPEB <u>Liability (Asset)</u> | Authority's Covered-Employee <u>Payroll</u> | Authority's Proportion Share of the Net OPEB Liability (Asset) as a percentage of it's Covered- <u>Employee Payroll</u> | Plan Fiduciary Net Position as a percentage of the total <u>OPEB Liability</u> |
|------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|---------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| 2017 | 0.0150347606% | 3,248,351 | 1,023,602 | 317.35% | 1.03% |
| 2018 | 0.0149368100% | 3,328,060 | 996,886 | 333.85% | 1.97% |
| 2019 | 0.0205670000% | 2,786,020 | 1,068,362 | 260.77% | 1.98% |
| 2020 | 0.0220730000% | 3,961,356 | 993,409 | 398.76% | 0.91% |

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

THE PARKING AUTHORITY OF ELIZABETH
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN
LAST TEN YEARS

| Fiscal Year Ending <u>June 30,</u> | <u>Contractually Required Contribution</u> | <u>Contributions in Relation to the Contractually Required Contributions</u> | <u>Contribution Deficiency (Excess)</u> | <u>Authority's Covered- Employee Payroll</u> | <u>Contributions as a Percentage of Covered- Employee Payroll</u> |
|------------------------------------------|----------------------------------------------------|----------------------------------------------------------------------------------------------|-------------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------------------------------|
| 2017 | 139,281 | 139,281 | -0- | 1,023,602 | 13.61% |
| 2018 | 100,850 | 100,850 | -0- | 996,886 | 10.12% |
| 2019 | 80,267 | 80,267 | -0- | 1,068,362 | 7.51% |
| 2020 | 72,271 | 72,271 | -0- | 993,409 | 7.28% |

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR OPEB (GASB 75)
NOTE TO RSI III
FOR THE YEAR ENDED DECEMBER 31, 2020

STATE HEALTH INSURANCE PROGRAM (SHIP)

Change in benefit terms

None

Change in assumptions

The discount rate changed from 3.50% to 2.21% as of
June 30, 2020.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

SCHEDULE OF CHANGES IN CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Operating Accounts | Revenue Fund | Debt Service Fund | Cost of Issuance Fund | Total |
|---------------------------------------------|-----------------------|-----------------|----------------------|-----------------------------|---------------------|
| Cash and Cash Equivalents Beginning of Year | \$ 2,034,259 | \$ 11 | \$ 549,630 | \$ 20,156 | \$ 2,604,056 |
| Increased by Receipts: | | | | | |
| Parking Fees | 2,501,205 | | | | 2,501,205 |
| Violations | 181,670 | | | | 181,670 |
| Interest Income | 12,393 | | 158 | | 12,551 |
| Rental Income | 407,985 | | | | 407,985 |
| Other income | 117,867 | | | | 117,867 |
| Transfers | | | 241,960 | 301,881 | 543,841 |
| | <u>\$ 3,221,120</u> | <u>\$ -</u> | <u>\$ 242,118</u> | <u>\$ 301,881</u> | <u>\$ 3,765,119</u> |
| Decreased by Disbursements: | | | | | |
| Operating Expenses | 3,163,708 | | | | 3,163,708 |
| Bond Principal | | | 205,000 | 165,000 | 370,000 |
| Interest Paid | | | 36,960 | 136,881 | 173,841 |
| Fixed Assets | 202,714 | | | | 202,714 |
| Payments to PACE | 226,247 | | | | 226,247 |
| Transfers | 543,841 | | | | 543,841 |
| | <u>\$ 4,136,510</u> | <u>\$ -</u> | <u>\$ 241,960</u> | <u>\$ 301,881</u> | <u>\$ 4,680,351</u> |
| Cash and Cash Equivalents End of Year | <u>\$ 1,118,869</u> | <u>\$ 11</u> | <u>\$ 549,788</u> | <u>\$ 20,156</u> | <u>\$ 1,688,824</u> |

THE PARKING AUTHORITY OF ELIZABETH

SCHEDULE OF OPERATING REVENUES AND COSTS
FUNDED BY OPERATING REVENUES COMPARED TO
BUDGET FOR THE YEAR ENDED DECEMBER 31, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE
YEAR ENDED DECEMBER 31, 2019

| | <u>2020</u> | | <u>2020</u> | | <u>2019</u> |
|-------------------------------------------|---------------------|-----------|------------------|-----------|------------------|
| | <u>BUDGET</u> | | <u>ACTUAL</u> | | <u>ACTUAL</u> |
| Revenues: | | | | | |
| Operating Revenues: | | | | | |
| Parking Fees | \$ 4,014,000 | \$ | 2,417,127 | \$ | 3,891,367 |
| Violations | 300,000 | | 177,515 | | 265,065 |
| Rental Income | 390,064 | | 374,064 | | 366,311 |
| Miscellaneous Income | 9,000 | | 235,957 | | 31,493 |
| | <u>4,713,064</u> | | <u>3,204,663</u> | | <u>4,554,236</u> |
| Total Operating Revenues | \$ 4,713,064 | \$ | 3,204,663 | \$ | 4,554,236 |
| Non-Operating Revenues: | | | | | |
| Interest on Investments and Deposits | \$ 20,000 | \$ | 12,551 | \$ | 30,825 |
| Other Non-Operating Revenues | | | | | |
| | <u>20,000</u> | | <u>12,551</u> | | <u>30,825</u> |
| Total Non-Operating Revenues | \$ 20,000 | \$ | 12,551 | \$ | 30,825 |
| Total Anticipated Revenues | \$ 4,733,064 | \$ | 3,217,214 | \$ | 4,585,061 |
| Expenses: | | | | | |
| Salary and Wages | \$ 1,491,727 | \$ | 1,337,913 | \$ | 1,413,138 |
| Fringe Benefits and Payroll Taxes | 813,000 | | 744,745 | | 778,265 |
| Professional Fees | 146,000 | | 132,031 | | 120,394 |
| Office Expenses | 130,000 | | 98,002 | | 111,532 |
| Telephone | 62,000 | | 76,578 | | 61,215 |
| Conference and Meetings | 10,000 | | 1,095 | | 12,852 |
| Utilities | 175,000 | | 138,674 | | 138,384 |
| Insurance | 275,000 | | 275,662 | | 258,894 |
| Repairs and Maintenance | 300,000 | | 305,362 | | 381,892 |
| Operating Fee to PACE | - | | 69,142 | | 297,175 |
| Truck Expenses | 24,000 | | 12,463 | | 19,282 |
| Outside Services | 97,000 | | 6,782 | | 9,162 |
| Rent | 2,800 | | 1,200 | | 2,915 |
| Trustee Fees | 12,000 | | 4,620 | | 9,120 |
| Pest Control | 7,000 | | 4,570 | | 4,421 |
| | <u>3,545,527</u> | | <u>3,208,839</u> | | <u>3,618,641</u> |
| Total Operating Appropriations | \$ 3,545,527 | \$ | 3,208,839 | \$ | 3,618,641 |
| Non-Operating Appropriations: | | | | | |
| Principal on Bonds | \$ 370,000 | \$ | 370,000 | \$ | 355,000 |
| Interest Payments Bonds | 173,841 | | 173,841 | | 184,841 |
| Equipment Lease - Principal and Interest | 87,317 | | 86,023 | | 86,024 |
| Capital Expenditures | 435,000 | | 160,519 | | 246,311 |
| | <u>1,066,158</u> | | <u>790,383</u> | | <u>872,176</u> |
| Total Non-Operating Appropriations | \$ 1,066,158 | \$ | 790,383 | \$ | 872,176 |
| TOTAL COSTS | \$ 4,611,685 | \$ | 3,999,222 | \$ | 4,490,817 |

